

# The Demand Acceleration<sup>®</sup>

Practitioner's Handbook

## **The Demand Acceleration© Practitioner's Handbook**

The Compare Foundation. Karlstad, 2024.

Deposit number: TBD

ISBN: TBD

First edition, 2024.

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### **Our vision**

Our vision is to create an ecosystem of individuals working within the public sector as innovation drivers, based on the principles of Demand Acceleration. And that our knowledge and understanding continuously evolve through continuous learning, where we build on each other's knowledge and experiences - with the effect of increasing the portion of the public sector driving innovation and transition to a sustainable society.

We believe in a balance between competition and collaboration in the ecosystem, by both developing:

**Commons** – a shared pool of resources that no one owns, and that continuously evolves as all us users contribute knowledge and experiences,

and

**Competition** – encouraging competition within the ecosystem, to ensure that we do not limit development and create monopolies/cartels.

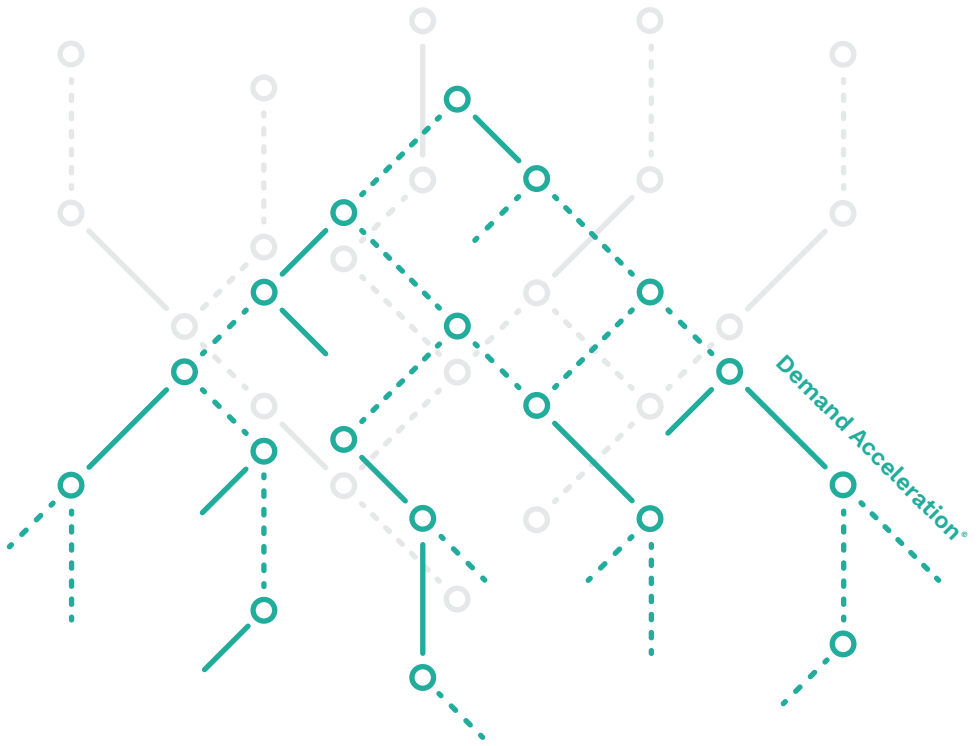
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In the Demand Acceleration Community, we exchange lessons and experiences and co-create new material. Everyone who wants to can join - contact any of those involved in the book to get an invitation.

### **Acknowledgments**

Thanks to Juan Rodrigo Verdú for the layout of the book and Kjell Håkan Närfelt for the inspiration and guidance.

## **The Demand Acceleration® Practitioner's Handbook**



# Preface

How can public procurement drive innovation and development to a greater extent? And how can we design an innovation process that not only creates a solution but also increases the demand for the solution, broadly in the market?

These challenges were undertaken by Karlstad Municipality and the Compare Foundation in 2021 with support from Vinnova within the VINNVÄXT initiative DigitalWell Arena. DigitalWell Arena is a ten-year initiative aimed at digital health innovation and emphasizes collaboration between the public sector and industry, as well as user-driven innovation.

This initiative builds on a long tradition in Värmland within these areas. The method that has been developed is called Demand Acceleration, and the first procurement carried out was successful and attracted attention both nationally and internationally. Since then, the approach has begun to spread to other public organizations, which also means that the method is continuously developed and improved. The interest in Demand Acceleration has led to an increased demand for sharing knowledge and experiences underlying it. As a result, an open community called the Demand Acceleration Community has emerged in 2023. Within this community, individuals using the method share their own experiences and collaborate to build on each other's knowledge and continuously improve and develop the methodology. This creates an environment for openness and collaboration that promotes innovation and knowledge sharing, and this book is a result of co-creation in the network.

This handbook is aimed at those interested in leading or participating in innovation processes at the intersection between the public sector and businesses. It explores how public procurement can be a catalyst for innovation and transformation. Additionally, it hopes to inspire anyone curious about transformative innovation and innovation processes in various contexts. The structure of the book reflects the management of complex processes. First, some individual perspectives that can influence the work in different ways are presented. Then we proceed to establish common reference frames for the area. We continue with principles and approaches for

the work, and finally, we conclude with how it has worked when theory was put into practice. The book should not be read as an instruction manual, but as inspiration. There is no recipe for succeeding with complex process management, and what worked once might completely fail the next time. But we still share our experiences and insights because if there's anything this work has shown us, it's the power of building on each other's experiences and knowledge. If you have suggestions for improvements, additions, or new insights that could be beneficial to others, your contributions are very welcome. You can contact any of the people mentioned below.

The Demand Acceleration Community is open to anyone who wants to participate and contribute to our learning network. The handbook is licensed under Creative Commons SA-BY 4.0.

The writing process was led by Marie-Louise Eriksson, Jakob Lindvall, and Lina Svensberg. Other persons in the network who have contributed significantly to this version of the handbook are Örjan Jansson, Johan Söderblom, Katarina Chowra, Thomas Wernerheim, Ann-Sophie Gustafsson, Per Danielsson, and Niklas Tideklev. A complete list of all the people who have contributed to the book is available at the end of the book.



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## Perspective – Navigating complexity

**Lina Svensberg**

Innovation Manager, The Compare Foundation / DigitalWell Arena

*"If the 20th century was the century of physics, the 21st century will be the century of biology"* is a quote attributed to the entrepreneur and geneticist, Craig Venter, and it is often mentioned in contexts where complexity is discussed.

I would not want to see it as two different disciplines, but rather as two different perspectives through which we view the world. The perspective of physics could be represented by a complicated machine. By analyzing the different parts and how they interact, we can also predict outcomes and effects. The better we analyze, the better our predictions become.

When we look at the world from a biological perspective, a different picture emerges. This perspective could be represented by a forest, a complex adaptive system where different parts interact with each other, affect each other, and can lead to effects that are not always predictable, no matter how well we analyze in advance.

A key concept here is emergence. Complexity and emergence are two sides of the same coin. *"There is no conception of complexity or complex systems that does not involve emergence"* as the complexity researcher Karoline Wiesner puts it. One could say that emergence is the difference between the map and reality, for better or worse. Simply put, emergence means that a system (e.g., an organization, or an anthill, or a human) develops properties that the parts themselves do not possess, as a result of the parts interacting with each other. The whole becomes more than the sum of its parts. For example, this means that if you introduce an organizational model that works well on a small scale, it can have completely different effects when introduced on a large scale.

Navigating and managing complexity and unpredictability is the common denominator for many of the methods and models for process management, innovation management, and organizational management that have emerged since the turn of the millennium. Some of the many examples include agile systems development methods such as Scrum and Kanban, innovation processes like Design Thinking, organizational models such as Holacracy, Podular, and Teal, and methodologies for startups and entrepreneurship, like Lean Startup and Effectuation. In the field of innovation policy, there is talk about mission-oriented innovation and transformative innovation.

These methods have made their mark, not least in the language. We are agile and quick-moving. We prototype and split test. We iterate and MVP. We strive to build resilient organizations and self-governing teams. We approach tipping points, have a systems perspective, and try to address our complex societal challenges.



But in many cases, I feel that we do not fully ground in the worldview from which the terminology we use originates. Instead of practicing to handle and navigate complexity and uncertainty, which means accepting and controlling risks, we succumb to trying to reduce risks through analyzing and planning.

“It’s complex” is used as an excuse when something is difficult. It should rather just be an acknowledgment that means we need tools that are adapted to navigate complexity and unpredictability rather than suited to solve complicated problems.

But to be able to navigate complexity and unpredictability, I believe we need to put on new glasses, and see a world full of reinforcing feedback loops, emergence, and complex adaptive systems, and that is much more exciting than it sounds. And also necessary, for ignoring complexity doesn’t make it go away, as someone said.

### Three takeaways

- Emergence is a key concept. Having a language for central aspects of complexity aids understanding and communication.
- Our working methods are often more adapted to solving complicated problems.
- We cannot analyze and plan our way to solutions for complex problems; we must experiment our way forward.



## Perspective – Open innovation

**Jakob Lindvall**

Innovation Strategist och Business Development Consultant, ALDAB Innovation

Open innovation has long stood as a pillar in my understanding of how innovation should be conducted, and over the years, I have realized the importance of breaking down internal barriers and seeking external collaboration. In the public sector, this means a radically different approach, where, within the framework of laws and regulations, one must be able to stretch the traditional boundaries of procurement and embrace more dynamic, collaborative forms of work.

A clear example of this is the Demand Acceleration method. Where the traditional procurement process has often been characterized by bureaucracy and rigidity, Demand Acceleration offers a new angle. Instead of focusing on just settling for purchasing what the market offers, the emphasis here is on the demand for an unsolved need as the driving force in the procurement process. It's about identifying needs and then accelerating solutions that can meet these needs in the best way and then spreading them to other public sector operations that have the same needs. By placing demand at the center, the public sector thereby becomes an active facilitator for innovation, rather than a passive recipient.

The approach behind Demand Acceleration carries traces of the experiences I have gathered from working within international corporations, the public sector, startups, and the innovation system at large. And the principles on which the methodology rests intertwine the insights about how different parts of the innovation system should interact, from academia to industry, for us to be able to solve the really tough challenges we face.

In the global arena, there is a clearly increased attention around the need for innovation to achieve the global goals by 2030. The biggest challenge, as I see it, is to ensure that solutions are not only sustainable but also scalable. This is where Demand Acceleration really shines. By encouraging public actors to be open to collaborations with smaller, innovative companies and to actually require suppliers to scale up their solutions, the method provides conditions for our society to benefit from a broader implementation and utilization of innovative solutions.

Demand Acceleration represents more than just a method or process. For me, it stands as a symbol of the public sector as an enabler, where open innovation and collaboration are at the center, and where progress and change are driven by a common will to make a difference.

### Three takeaways

- Demand as a driving force: By placing the actual needs at the center, the public sector can actively contribute to the innovation system, not just as a recipient, but as a driving force.
- Scalability and sustainability go hand in hand: The solutions of the future need to be both innovative and scalable. To achieve real societal change, we should prioritize innovations that can be widely implemented and benefit a sustainable society.
- Open innovation as the norm: Procurement officials need to embrace the principles of open innovation, where traditional boundaries are broken down and a greater focus is placed on collaboration, knowledge sharing, and joint value creation.



# Perspective – Sustainability

**Örjan Jansson**

Global Program Coordinator for Climate Innovations, WWF Sweden

Sustainability is such a powerful concept, I think – it describes that things are healthy and non-destructive over time. Temporary harm is okay, but if it lasts too long, it becomes devastating. This applies to all areas, such as economics, workload, tooth brushing, and littering. Sustainability is easy to understand but really difficult to achieve in a world where we humans have unleashed, and locked ourselves into, our incredible ability to use all means to improve our situation but simultaneously cause some destruction. Now, we are so numerous that the destructive effect becomes too large.

When it comes to our planet, its natural resources, nature, and animals, we treat it far from sustainably: Currently, in Sweden, we use the Earth's renewable resources as if we had 3.3 Earths at our disposal. Populations of wild vertebrates have decreased by nearly 70% in the last 50 years. Every year, we release over 50 billion tons of carbon dioxide equivalents into the atmosphere and increase the concentration of many other substances so that it has a large destructive and poisoning effect. We are simply depleting the conditions for humans, and much other life, to continue to exist for much longer.

In our modern lives, we often become so distanced from nature that we might perceive it to be there just for show, and that we can buy food, breathe, and stay healthy without it. However, we do not have (and will not be able to acquire) technological solutions that circumvent our total dependence on nature and a rich wildlife. It is truly a fantastically rich planet we live on during a moment in the universe's existence! We need to respect, take care of, and enjoy all living things - which also have as much right as us to exist and live well.

Okay, so how do we achieve sustainability where 11 billion people (as many as we will likely end up being) can live well without depleting the planet and its life - and quickly enough? Answer: It simply requires a comprehensive transformation of most aspects of society.

Each of us as an individual chooses who we want to be in this situation: Do I want to be a part of the solution or a part of the problem. We always make the choice, but it can be conscious or unconscious. I believe that you, having read this far, want to be someone who consciously chooses to strive for a solution. My genuine respect and thanks (for your character and for working also for a better future for my children)!

In this handbook, I hope you will be equipped with perspectives, knowledge, and tools that help YOU in YOUR work to take as large steps towards sustainability as possible. Often, we can have the most impact through our professional roles. Much of the development must also be driven by leaders and decision-makers.

### Three takeaways

- Become a sharp change agent! Each of us needs to make more happen than ever before in history. Think, "what am I going to do in MY job to drive more transformation?"
- Choose your change or development project carefully. Develop what we NEED most and what can be provided with a footprint per person that is sustainable over time for 11 billion people - or as close to it as possible.
- Conduct serious sustainability assessments multiple times during the development process. Benefits and consequences need to be analyzed responsibly, otherwise, you actually don't have a clue! Tools suitable for use in conjunction with Demand Acceleration are being developed and continuously distributed in the network. Contact me, or someone else in the network if you want to know more.



## Perspective – The emerging economy

**Katarina Chowra**

Business Developer with focus on sustainability & innovation, Maplebloom AB

As we all know, we are the ones creating the future. We have been speed blind for a long time and created a society that is starting to become hazardous to health and, in some cases, life-threatening for us, animals, and nature. Our societal critical challenges are greater than ever.

We have developed solutions that have not always contributed to our well-being and that of the planet. A bit pointedly, it can be claimed that technological development has been driven by selfish business activities. A good business operation has been defined by high profitability. No consideration has been taken into account if the business activity has negatively impacted our environment and, for example, poisoned our air, seas, and land. We have reached a dead end when it comes to the traditional way of conducting business.

At the same time, more and more people are climbing Abraham Maslow's ladder. In his posthumously published book "The Farther Reaches of Human Nature," Maslow presents his thoughts about the highest level, which he calls "Self Transcendence" – an additional level that he places on top of his classic ladder. The characteristics he attributes to this level include altruism, inclusion, and a holistic perspective. These very qualities are necessary to create a sustainable society.

Then consider that the societal structures we have, which affect both public and private operations, can never be more advanced than the existing developmental level of its people.

Over the past 15 years, I have worked in the startup area, primarily as a business development coach. I have met hundreds of companies during these years, and the encouraging thing is that the number of entrepreneurs whose driving force is to contribute to society has significantly increased. These entrepreneurs are not driven by maximizing the company's return but by contributing to society in various ways. In recent years, there has been talk about Impact startups. These are defined as contributing a solution to a prioritized societal problem and having an economically viable business model. (There is a stricter definition, which I will not go into here.)

Note that there are also operations that do not qualify to be defined as impact startups but are still primarily driven to make a positive difference. It may seem trivial whether profitability or making a difference is the driving force – but it will affect the entire operation, how it is led, how decisions are made, and prioritized. My hypothesis is that these companies will also be the most profitable in the future.

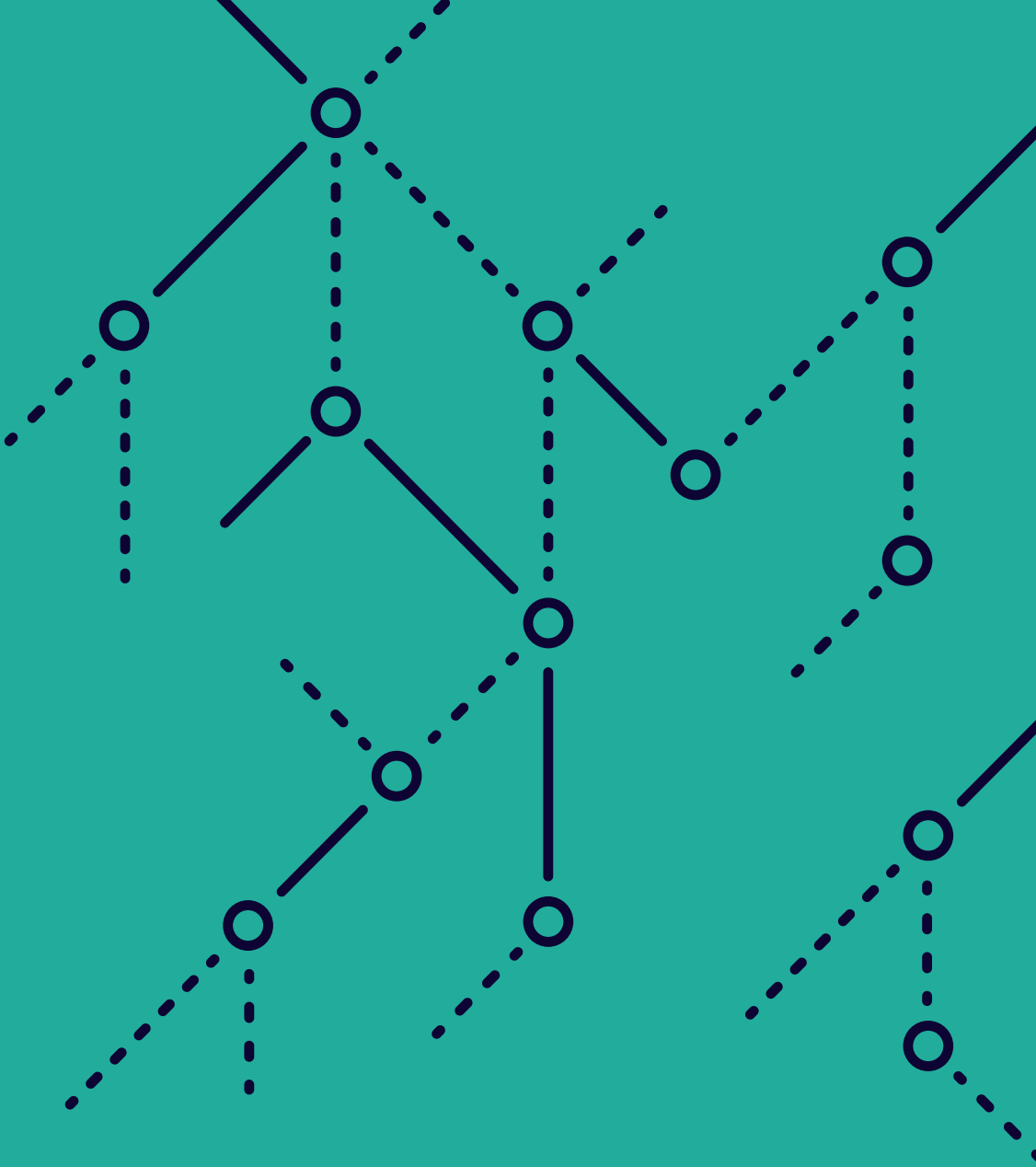
Without exaggerating, I dare say that there is a bubbling up of companies wanting to make a difference in society, longing to drive a business in a

holistic way, wanting to make a positive impact in society and solve our critical societal problems.

Demand Acceleration can be an excellent tool for the public sector to address a critical societal challenge, and incidentally stimulate and accelerate the emergence of what could be called a new ecosystem for an emerging economy.

### Three takeaways

- We cannot solve our problems with the same thinking we used when we created them." – a classic quote from Albert Einstein that can be good to keep in mind throughout the process.
- Focus on how the challenge should be solved, but do not forget to continuously strive to eliminate the negative impact of the solution. The first step is to identify the negative impact.
- We cannot analyze and plan our way to solutions when the external world is changing increasingly rapidly (and even the foundations are changing); we must experiment our way forward. A tip is to also practice leading in an uncertain and changing world, by, among other things, getting good at visualizing the goal.



# Introduction





# How to change a system

This handbook is about using procurement as a powerful tool to drive innovation and transition to a sustainable and circular economy. But it is also a book about experimenting with changing a system in practice. A simple definition of system innovation that is often used is that "innovation is about solving problems, while system innovation is about dissolving problems."

But first, we need to define what a system is. Inspired by the researcher Donella Meadows, we can describe a system as consisting of three different parts: elements, interconnections, and purpose. An easy way to explain these three parts and how they interact is to consider how ice hockey functions as a system:

- **Elements** are the physical and observable parts of the system, such as the players, the ice, the coaches, and the puck.
- **Interconnections** consist of what links the elements together and influences how they act, but cannot be touched. This includes the rules, the team culture, the coaches' strategies, and not least the laws of physics.
- **Purpose** is the overarching aim of the system, in this case, to win matches by scoring the most goals.

How the three parts relate to each other becomes easy to understand if we imagine that we want to change the system – we want to change how players act on the ice to achieve a different result. We can then replace elements – for example, players or coaches. The lines are shuffled, or players in the team are changed. This can lead to changes in the game, but it is still ice hockey.

We can also make changes in interconnections, for example, by changing strategy, or by changing the rules. This can include adjusting the directives to the referees regarding which offenses lead to which penalties, or experimenting with the overtime format, such as having three players in each team and shorter overtime periods, or allowing full team play until the

first team scores, as in the playoffs. Such changes can have a significant impact on the game, even though it is still ice hockey that is being played.

The most powerful way to change a system is to change its purpose. Take the Junior World Championship as an example. The purpose is, as always, to win matches by scoring the most goals, but for the individual players, the purpose is also to impress talent scouts present at the matches. The result is a spectator-friendly and energetic hockey with many individual performances and high-scoring games.

Now, consider what would happen if we completely changed the purpose from scoring goals to instead winning by skating the most elegantly or the fastest. To support the new purpose, we would need to adapt the rules to support it. Other formats than matches with three periods of twenty minutes each would need to be developed. The goal cages would just be in the way. Changed purpose, and the changes in rules and strategy that are a natural consequence, would also lead to the players fundamentally changing their behavior. In that case, it would no longer be ice hockey; we would have fundamentally changed the system and obtained a completely different result.

When we want to change a system, whether it is large or small, we can use a similar approach, and that is exactly what this book is about.

We must start by asking ourselves what purpose is the system built around? Are rules, culture, and attitudes designed to support the result we want? Or do we say it's about skating the fastest, but there are still goal cages in the way, and the players skate with sticks and pucks, because that's how we usually do it? Then there is a discrepancy between what we say the purpose is and how the interconnections are designed. Then we get system errors – the different parts of the system do not interact, and we do not get the results we want.

The question we address in this book is how the public sector can drive innovation and transition to a greater extent. In Sweden, procurements are conducted annually for over 80 billion euros, which is 200 times more than the entire budget for Vinnova, the Swedish innovation agency. The national procurement strategy emphasizes that the strategic use of public procurement is crucial to achieving the global sustainability goals. It is also pointed out that it is of great importance for societal development to harness and utilize the innovation potential within operations through public procurement. Here lies an enormous potential.

At the same time, many of the innovation projects carried out within the public sector remain in pilot phases, experiments, or solutions that are only

implemented at a local level. The public sector's dealings are not sufficiently utilized as a strategic tool for innovation and transition, which ultimately prevents the public sector from realizing its full potential as a driving force for change and progress. This appears to be a typical example of a systemic failure? It seems to be the situation we are facing here. So, how can we practically proceed to change the system?

The purpose of innovation processes within the public sector, whether it concerns early design and innovation projects, needs analyses, pilot projects, or innovation procurements, is generally to meet the needs of the users. The users of the own organization, that is. Sometimes, several organizations may come together in a joint innovation project, and then the purpose is to satisfy the needs of the consortium's users. But innovation is not just about creating a solution; it's also about creating a market for that solution. And that market seldom consists of just one customer, or a consortium. The Swedish public market, for example, includes 21 regions, 290 municipalities, and over 300 other agencies.

How should we approach such a large system? One way is to see if it's possible to change the behavior in a system in reality, but on a small scale, a so-called system demonstrator. Can we adjust the purpose, principles, and attitudes, thereby influencing the actors' behavior to achieve a new result? Can we design an innovation process aimed at creating scalable solutions that spread to many? And design principles and attitudes that support that purpose? And thereby dissolve, not just solve, the problem that the results of innovation processes in the public sector do not scale?

That is - can we create an innovation process that not only solves the first customer's needs but also generates solutions that create value for a broader target group? Can we design an innovation process that not only results in a new supply of solutions but also increases the demand for the solutions, in other words, creates a market? Can we create an innovation process that leads to "demand acceleration"?

Now we have adjusted the purpose, the most powerful way to change a system. What interconnections do we then need to change? Which attitudes and principles? Do policies and rules need to be changed? And how do changed interconnections affect the behavior in practice of those who act in the system – procurement managers, process managers, suppliers, users, and others? And what result does the changed behavior lead to?

That's what we will describe in this book. But first, we need to set a common reference framework.

# A common foundation

## What is innovation?

There are many different definitions of innovation, but what is common to most definitions is that it involves something new that is used and creates value. In this context, we have chosen to use the definition used by the Swedish Association of Local Authorities and Regions (SKR) (see the fact box below). It is a broad definition that shows that innovations can include new services, products, processes, or business models. The definition encompasses both incremental and radical innovations. By combining different fields of knowledge, new insights can be developed and translated into new services, products, processes, or business models. What characterizes all innovation is that the process is surrounded by uncertainty

Distinguishing between inventions and innovations is fundamental. Both concepts involve new ideas or solutions, but the difference lies in the fact that an innovation is used and creates value, unlike an invention alone. This value can be economic, social, or environmental.

It is important to remember that driving innovation can involve several aspects: not only creating conditions for the development of new technology and new solutions when these are not available on the market but also contributing to the scaling of existing solutions and technologies that have the potential to meet our needs in a sustainable way, thus creating value for more people. This multifaceted view of innovation is an important part of the ongoing discussion in this book.

Sometimes, the definition of innovation is not the central point. Development work can lead to the implementation of a solution that already exists on the market and is used in similar contexts in other organizations. According to some definitions, this can be considered innovation, according to others not. However, this distinction is not crucial; what is important is the value created through the solution. It is rarely resource-efficient to reinvent the wheel in different contexts.

## Conditions for driving innovation projects in various sectors

Complex development and innovation projects can be difficult to oversee, especially when there is no clear end goal from the beginning. It is therefore important that everyone involved is interested in each other's challenges and perspectives. By sharing knowledge and experiences, the trust needed to work together can be built. A willingness to learn from each other and to understand why people act as they do facilitate collaboration. Below are some aspects that often lead to challenges.

### \* Innovation

Innovation refers to new solutions that meet needs and demand. Value arises when an idea is implemented in practice and utilized. The value created can take many forms – economic, social, or environmental.

> <https://skr.se/skr/naringslivarbetedigitalisering/forskningochinnovation/innovation.25352.html>

## Conditions in the public sector

The public sector's mission is to deliver services to society and ensure citizens' welfare by managing resources efficiently. Those working on development projects within the sector must navigate a complex environment where many different interests meet. Entrepreneurs often encounter challenges when collaborating with the public sector and can become frustrated if projects seem to stall or are delayed, even after previously receiving positive signals.

Public operations are governed by political decisions and are part of society's democracy. Politicians, elected by the people, make decisions about budgets and long-term plans, which are then implemented by public organizations through their services to the citizens.

In every municipality, region, and state agency, there is a decision-making process that governs what decisions can be made at which levels within the organization and which require political approval. This process is often formally structured and can be time-consuming, especially for decisions at the political level that require a specific preparation process.

Many aspects of public operations are regulated by laws, including how purchases and procurement should be conducted. These rules include the EU's procurement directives, which ensure a proper process within the EU's internal market. Given that the operations are financed by taxpayers' money,

### \* Goals for Public Procurement

The Swedish government's goal in this area is for public procurement to be efficient, legally secure, and to take advantage of market competition, while promoting innovative solutions and considering environmental and social factors.

In this way, public procurement contributes to a well-functioning public service for the benefit of citizens and the development of the business sector, while using taxpayer money in the best possible way. Based on the goal for public procurement, the government has decided on seven strategic objectives in the national procurement strategy:

- Public procurement as a strategic tool for good business deals
- Efficient public purchasing
- A diversity of suppliers and a well-functioning competition
- A legally secure public procurement
- Public procurement that promotes innovations and alternative solutions
- Environmentally responsible public procurement
- Public procurement that contributes to a socially sustainable society
- The first strategic objective is the overarching goal. The other strategic objectives are used to achieve this.

> <https://www.regeringen.se/regeringens-politik/offentlig-upphandling/mal-for-offentlig-upphandling/>

the correct handling of these funds is crucial. It's also important that the procurement process does not disrupt competition but allows different suppliers to fairly compete to deliver their goods and services. This ensures that the internal market functions efficiently.

To guarantee integrity and trust within the public sector, it is crucial to follow a formal purchasing process. This applies to state, regional, and municipal bodies as well as publicly owned or controlled companies. To counteract conflicts of interest, corruption, and bribery, clear rules and principles need to be in place.

When the public sector engages in innovation processes, it must adapt to certain conditions, such as limited budgets and personnel resources. For projects like IT system development, where multiple parts of an organization need to collaborate, the requirements for internal coordination and approval processes increase. This is to ensure that all parts of the organization are synchronized and working towards the same goal.

At the same time, public organizations also need to review their internal policies, processes, and routines in many cases to become more agile and operate more efficiently.

### \* The Five Fundamental Principles of Procurement

**Non-discrimination** – All suppliers should be treated equitably and without discrimination regardless of nationality.

**Equal Treatment** – All suppliers should be treated equally and given the same conditions. This means everyone should have access to the same information at the same time to avoid distorted competition. It is also not possible to demand a specific brand or manufacturer without always allowing an equivalent offer.

**Proportionality** – This means that the demands and conditions in the procurement should be proportional to the subject of the procurement. Unnecessarily high or strict demands that are not directly related to the task at hand should not be made, and if multiple requirements are considered, the one that is least burdensome for the supplier should be chosen.

**Transparency** – There should be transparency around the procurement process, and information should be provided on how it will be conducted. This means that both the procurement process and the documentation should be transparent and clear. To create predictability for potential suppliers, all conditions, evaluation criteria, and any questions from potential suppliers should be public and easily accessible.

**Mutual Recognition** – Certificates, licenses, and similar documents issued in one EU member state should be recognized as valid in the other member states, as long as they meet the requirements and conditions set out in the procurement. This helps facilitate cross-border trade and competition.

## Conditions in the private sector

The conditions for companies vary significantly between different types of businesses, but there are some common denominators. While public entities are allocated an annual budget, companies must continually generate revenue, and preferably profit, to sustain their operations. Small businesses often have a shorter financial outlook than one year, which limits their capacity to act. Financial stability is crucial, with cash flow being a major challenge, especially for small businesses. Generating revenue to cover costs for development, production, and wages is critical for continuing to grow and develop. Swedish law requires that corporations be operated with the intent to generate profit, which underscores the importance of financial stability in the private sector.

If collaboration processes between the public sector and companies become too prolonged, it can have devastating consequences for the participating companies, especially limiting the ability of small businesses to participate.

Many companies, especially startups and scaleups, often develop products and solutions quickly, using agile methods that prioritize continuous testing and evaluation. This helps avoid investing in solutions that don't work or don't meet customers' needs. Public operations, on the other hand, may find this way of working unfamiliar. They may be more accustomed to work methods based on gathering and analyzing information and then planning the work, rather than testing and experimenting their way forward.

### \* Sweden's National Environmental Goals

Already in 1999, the parliament decided on the environmental goals that Sweden should aim towards, and this decision is still valid today. The overarching goal of the environmental work, also known as the "generational goal," is to "hand over a society to the next generation where the major environmental problems are solved, without causing increased environmental and health problems outside Sweden's borders." In addition to the overarching generational goal, there are currently 16 national environmental goals in Sweden today. The environmental quality objectives, as they are also called, are well defined with associated indicators and interim targets to enable both the public sector and the business community to identify suitable measures.



# Can public procurement drive demand for innovation?

Public procurement represents a significant economic force in Sweden, with an annual value exceeding 800 billion SEK. According to the European Commission, public procurement from over 250,000 public authorities in the EU accounts for a whole 14% of the Union's GDP, equivalent to about two trillion euros per year. Using a portion of this purchasing power to promote the development of new solutions could be a key factor in addressing societal challenges, including climate, economy, and social issues. This means that the public sector could take an active role in the necessary transition and act as a driving market for new solutions that also meet the sector's needs. This strategy is also part of the Swedish government's goals for public procurement.

## Procurement and innovation

Public procurement can be described as a formalized purchasing process regulated by various laws and regulations. Swedish procurement legislation is based on EU directives and EU primary law. The Swedish Public Procurement Act (LOU) is based on five legal principles: non-discrimination, equal treatment, proportionality, transparency, and mutual recognition. With the help of these principles, the goal is to ensure effective competition within the EU, which in practice means the free movement of goods and services and the freedom to establish. It is the responsibility of the procuring authority to ensure that the procurements are conducted in line with these principles.

There are different procurement procedures, which describe the structure of the procurement. It is primarily the total value of the procurement and the type of goods or services that determine the choice of procurement procedure.

Innovation procurement is not a specific method or procedure. On the website of the Swedish National Agency for Public Procurement, innovation procurement is described as promoting development through procurement by requesting or allowing new solutions. The term innovation procurement is contested, as it suggests that "normal" procurement would then be about the opposite, neither requesting nor even allowing new solutions. It could be argued that all procurement should promote development and allow for new solutions. However, in policy contexts, the term innovation procurement, is often used.

In Sweden, so call direct procurement can be used when the value of the procurement is below 700,000 SEK. In the context of innovation, it is common to use direct procurement for pilots or tests. This can be a good way to test innovative solutions on a smaller scale. It is important to remember that if one wishes to proceed with a larger procurement, one must ensure that the supplier one has worked with has not received any undue competitive advantages in connection with the pilot. It is also necessary to understand that the purpose of exposing the procurement to competition is to give all suppliers in the market the opportunity to meet the requirements.



## Sustainability and procurement

As initially stated, the public sector, through its purchases, can play an active role in society's transition to a sustainable society based on circular principles. For more than twenty years, political sustainability goals have been in place in Sweden to guide development in this direction. Public procurement should not only consider economic aspects, especially not short-term ones, but the procurements should also take into account environmental and social aspects.

Today, municipalities, regions, and other authorities are increasingly actively working to integrate sustainability into public procurement. As emphasized by the Swedish National Agency for Public Procurement, sustainable procurement means that a public operation in its purchases sees the advantages that arise beyond its own activities and that it actually also considers the advantages and disadvantages for society as a whole in the procurement process. It is pointed out that it is also economically profitable to set sustainability requirements that take into account environmental and social aspects. This requires adopting a more holistic and long-term perspective in procurement.

Concretely, this means that public procurement should consider the entire lifecycle of the production of goods and services and ensure minimization of

### \* UN Sustainable Development Goals - Agenda 2030

In 2015, the UN adopted the resolution Agenda 2030 for sustainable development. Agenda 2030 has been called "the biggest order for innovation in world history". The agenda consists of a political declaration, where 17 goals are specified. Sweden supports Agenda 2030 and has on several occasions emphasized its intention to take a leading role in the implementation and a desire to accelerate the transition.

> <https://www.regeringen.se/regeringens-politik/globala-malen-och-agenda-2030>

Agenda 2030 is a continuation of the environmental work initiated by Gro Harlem Brundtland in the 1980s on behalf of the UN. The Brundtland Report "Report of the World Commission on Environment and Development: Our Common Future" contains what has become the standard definition of sustainable development.

*"Sustainable development is a development that meets the needs of the present without compromising the ability of future generations to meet their own needs."*

### \* Sustainable Procurement support

Both the Swedish National Agency for Public Procurement and SKR (Swedish Municipalities and Regions) offer support on how to procure goods and services more sustainably from environmental, social, and economic perspectives.

The organizations provide checklists, analysis tools, legal guidance, etc., to facilitate the public sector's ability to drive and contribute to the achievement of sustainability goals.

> <https://www.upphandlingsmyndigheten.se/om-hallbar-upphandling/>

> <https://skr.se/skr/demokratiledningstyrning/pphandlinginkop/hallbarupphandling.28109.html>

environmental damage at all stages. It also means that social aspects such as gender equality and equitable health are considered in a broader perspective. For suppliers to the public sector, this entails an explicit responsibility for supply chains, including working conditions at subcontractors.

Sustainability is also increasingly discussed from the perspective of circularity, which emphasizes that in our use of resources, we need to focus on moving from consumption to reuse so that their lifespan is not only as long as possible but that resources can be used over and over again. In practice, this means that many solutions in the form of products will be replaced with services through platforms or systems. Business models based on subscriptions or leasing are examples of this. The supplier receives a clear incentive to increase product lifespan, manufacture repairable products with longer lifespans, and increase the utilization of resources.

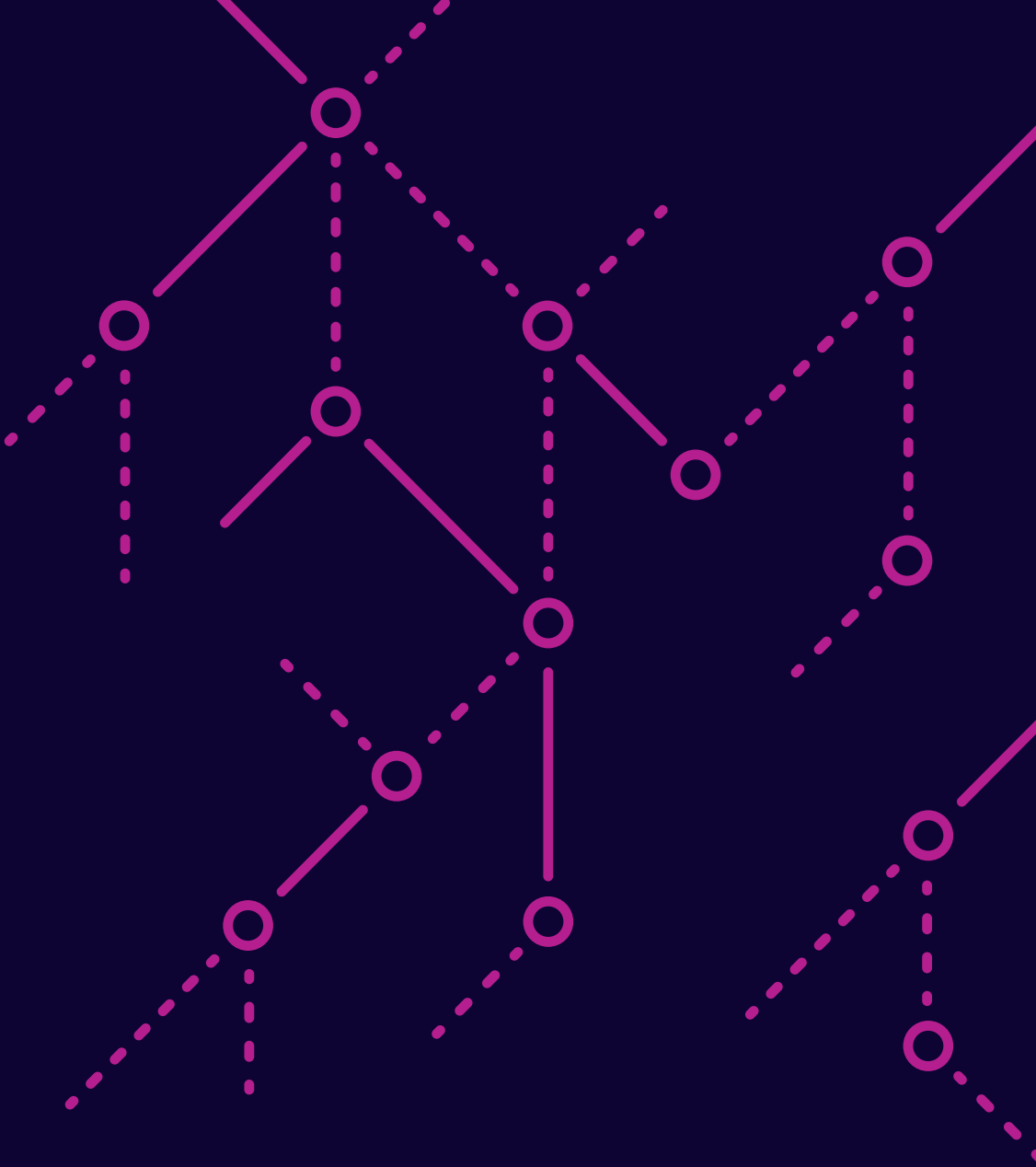
### \* Circular Economy

The concept of the circular economy has become increasingly accepted and guiding in addressing society's broader challenges. There has long been an emphasis on considering the impact on the planet and society "from cradle to grave" in the use of nature's resources, with the understanding that it's necessary to reduce the planetary footprint at every step.

The circular economy concept describes that this reasoning has been partly replaced with the realization that we need to build circular resource flows. The production of new goods and services should be based on the objective that they are to be reused and that they do not create any waste, meaning that all resources circulate in a loop. The metaphor "from cradle to grave" has been replaced with "from cradle to cradle," moving from a linear to a circular perspective. The Swedish Society for Nature Conservation suggests that the circular economy is fundamentally a newer term for recycling.

Although it is not always possible to achieve a complete cycle of natural resources, it is a central goal for sustainable development. Business ideas based on recycling, reuse, or the sharing economy are related to the concept of a circular economy. The public sector, with its purchasing power, can contribute to a shift from the linear "use and dispose" consumption by actively choosing to purchase goods and services that are based on a circular model.





# On Demand Acceleration<sup>®</sup>



# Principles and mindset

For the public sector to act as an innovation catalyst, there needs to be a shift towards viewing public procurement as a tool for fostering development and innovation. It's crucial to design the procurement process not just to meet the immediate needs of the first customer but also to enable the solution's scalability. This approach helps spread the benefits of innovation more widely, enhancing the societal value of such innovations.

This shift allows for faster development cycles for businesses as they receive early feedback from customers, enabling them to streamline their innovation processes. The long-term benefit is an improvement in the quality of public services, leveraging the latest technological and organizational advancements.

In practice, this means moving away from the traditional procurement perspective, which focuses on evaluating tenders against predefined criteria. Instead, it involves the courage to procure development work for an unknown solution and actively participate in the development process. This includes contributing to the solution's dissemination by requiring suppliers to demonstrate their ability to scale their solutions and assessing their potential to create value in a broader market.

The challenge then becomes how to leverage public procurement as a tool for transitioning to a sustainable society within a very short timeframe.

The question spans several perspectives:

- **Challenge Definition** – How can public buyers phrase their challenges to encourage innovation and shift towards new solutions not yet on the market?
- **Solution Diversity** – How can public buyers present these needs to a wide array of innovators to ensure a diverse range of solutions to tackle the challenge effectively?

- **Risk and Uncertainty** – How can public buyers figure out which suppliers will make it when there's a lot of unpredictability affecting the outcome?
- **Sustainability and Scale** – How can public buyers ensure that the innovation leads to a scalable solution that brings substantial value and reaches a wider audience?
- **Legal Compliance** – How can we align with public procurement laws when procuring undefined, innovative solutions?

Demand Acceleration is about making public procurement a force for innovation and societal change. It's not just about the initial buy; it's crucial that innovations spread wider. This opens more opportunities for suppliers, broadens the innovation market, and increases societal impact.

The goals are clear:

- **Market Creation** – Public entities often hesitate to request new solutions that aren't yet available. Suppliers, on the other hand, are reluctant to invest without clear demand, fearing financial risk. By showing interest in unaddressed areas, public buyers can kick-start new markets.
- **Development of Companies** – Offering opportunities for dialogue, development, and testing together with public buyers helps companies to evaluate and act on innovation opportunities.
- **Societal Impact** – Tackling widespread unsolved issues allows potential solutions to reach and benefit a wider audience, enhancing societal impact. This approach helps entrepreneurs and suppliers align their efforts with public sector challenges, leveraging public-private collaboration as a catalyst for societal advancement.
- **Funding Innovation** – When public buyers fund development, companies can reach financial viability sooner, reducing reliance on grants and accelerating sustainable innovations.

## Simple rules

In her book "Komplexitet – Enklare navigerat, bättre hanterat, så driver du utveckling i komplexa system" (only available in Swedish), Klara Palmberg Broryd describes "simple rules." The concept comes from programmer Craig Reynolds who, in the 1980s, attempted to simulate the movement pattern of a shoal of fish to digitally animate large groups of animals for films. He began by trying to program each fish's movement in detail but had to give up already with just a few individuals and a small number of movements. Instead, it was when he managed to formulate a few simple programming rules that the digital shoal began to move roughly like real fish.

The three rules were:

- **Separation** – Steer to avoid crowding
- **Alignment** – Steer towards the average heading.
- **Cohesion** – Steer to move towards the average position (center of mass)

Similarly, Demand Acceleration is based on seven principles. The principles themselves are simple but are based on research on innovation and complexity. This chapter accounts for the principles and the background to them. The next chapter describes how they have been applied in practice in connection with procurement of the innovation process. The principles constitute the foundation of Demand Acceleration. For example, how the procurement processes are designed, the number of phases, or which evaluation criteria have been used, are just applications and should be seen as inspiration, not as an exact method to be followed.

# Demand Acceleration principles

## Principle 1: Leveraging Procurement for Innovation and Growth

In the public sector, procurement involves evaluating tenders against set specifications. But innovation often requires venturing into the unknown without predefined specifications. Yet, procurement and innovation can be effectively merged by procuring not just solutions but participation in an innovation process. This approach hinges on adhering to the five fundamental principles of public procurement – non-discrimination, equal treatment, proportionality, transparency, and mutual recognition– as guiding norms for all interactions between public buyers and suppliers.

## Principle 2: Innovation Requires Space for Experimentation and Learning

Innovation is about new or enhanced solutions that add value to society, the businesses and individuals. These solutions emerge from a process of exploration, experimentation, and iteration, intertwining product development with market creation. To foster innovation, organizations must allocate space for this creative process. This involves making resources available for exploration and experimentation, securing organizational commitment across all roles and functions.

Innovation ventures into uncharted territory without guaranteed outcomes, often leading to failures. However, extensive early-stage analyses aimed at risk reduction tend to prolong the process rather than enhance results. Embracing failures and incrementally identifying effective strategies are crucial for the successful procurement of scalable and sustainable innovations. This strategy allows for minimal initial risks, increasing as uncertainties diminish and knowledge expands. It also facilitates halting the process if it fails to address the identified challenges or expectations.

## Principle 3: Success cannot be analysed into existence

Innovation thrives on collaborative creation, involving both the end-users and the creators. Given its inherently unpredictable nature, pinpointing which supplier will forge the best and most enduring solutions with users is impossible from the start. Over time, it becomes clear which suppliers fall short of the mark.

Rather than betting on a single supplier for collaboration, a more inclusive approach invites multiple suppliers to participate. Those lacking the capability to fulfill the process's goal—addressing user needs sustainably and scaling solutions in the market—should be systematically phased out. This necessitates a multi-step co-creation process designed to minimize risk and uncertainty gradually, removing those unable to meet the evolving criteria.

### \* Videos

Listen to Lina Svensberg talk about the first six principles:

- > [Video about the principle #1](#)
- > [Video about the principle #2](#)
- > [Video about the principle #3](#)
- > [Video about the principle #4](#)
- > [Video about the principle #5](#)
- > [Video about the principle #6](#)
- > [Full version of all six principles with subtitles and graphics](#)



## Principle 4: Interaction Triggers Insights

Needs and requirements become clear through interactions with evolving solutions. Sketches, presentations, and prototypes facilitate this dialogue, allowing our understanding of needs to grow as the process unfolds.

Initially, our grasp of the need may be constrained by what solutions we already know exist.

In a collaborative creation process, it's essential to involve potential solutions and their suppliers right from the start. This approach transforms the formulation of needs from being the final goal of a comprehensive needs analysis to the starting point of an ongoing needs exploration woven through the innovation journey.

Furthermore, the buyer must adapt its operations to leverage the innovation fully. Engaging with the innovation in development not only provides insights into the buyer's operations but also makes operational evolution an inherent part of the procurement journey, laying the groundwork for a successful and enduring implementation.

## Principle 5: The Value of Scalability

Scalability needs to be included in every step of the process. If the solution does not scale, the first and only buyer bears all the costs for development, further development, and management, and the supplier has only one source of income. Moreover, the societal value of the innovation is limited if the value generated by the innovation is locked in with the first buyer.

No single entity can compete with the development forced by a competitive market. This also means that it is in the interest of the buyer that the supplier succeeds in creating an economically sustainable solution - and the buyer should aim for its suppliers to succeed. A public buyer taking the lead and procuring a development work that leads to a solution which is then also bought by others, is also a way to share risk.

For the supplier, this means that parallel to the development of the solution, they also need to develop their business model to assess and develop the scalability of their business. A profitable and scalable business model is a prerequisite for ensuring a long-term and value-creating delivery to the first buyer and for spreading the solution to others. The process, therefore, needs to be designed to stimulate business development. However, since it is not within the public buyer's mandate to evaluate or develop the market potential of a need or a solution, an intermediary need to be included in the process. More on this later in the book.

### **Principle 6: Intellectual Assets Belong to the Supplier**

The intellectual assets created belong to the supplier. This creates conditions for scalability, as it enables suppliers to sell their solution to other potential customers. This represents a significant incentive for suppliers to participate in the innovation process, and invest more resources than what the first buyer pays for.

This can be combined with the principle of co-creation in the following way: The supplier owns their intellectual assets, but cannot own the insights about the need that arise among other co-creators as a result of the interaction. All insights can be shared with everyone involved in the process, provided it can be done in a way that does not reveal each co-creator's unique idea. In this way, an open innovation environment is created, where everyone can build on insights from everyone's work, while still owning their own intellectual assets.

### **Principle 7: Sustainability Secures the Goals**

Sustainability in its entirety – social, environmental, and economic – should permeate every step and phase of the process. In this way, it is ensured that the developed solutions contribute to both the public purchaser's goals and the sustainable development of society at large. By addressing unsolved problems, incentives for innovation are created, which not only enriches society with new solutions but, above all, contributes to tackling critical societal challenges. The scaling component in the model also enables innovations to spread quickly and thereby increase their positive contribution to society.



# Leading Demand Acceleration

Demand Acceleration is shaped by both clear rules and principles, as well as the prevailing culture and attitudes of participants. Here's a breakdown of critical elements that influence the entire process of Demand Acceleration.

## Navigating uncertainty

Public organizations are charged with providing community services and safeguarding citizen welfare, all while responsibly managing public funds. Typically, these organizations favor predictability, operating much like a complicated machine. With enough analysis and planning, it's assumed this machine can be fine-tuned to deliver the expected results. When problems arise, a detailed analysis is supposed to pinpoint and correct the issue, ensuring the machine works as planned. The expectation is that the blueprint and the actual machine will align perfectly.

In contrast, the essence of Demand Acceleration involves steering through uncertainty. From the outset, we're faced with a need whose solution is unclear. Additionally, our understanding of this need and the insights we gather will shift and evolve in unpredictable ways throughout the process. This work is characterized by complexity and uncertainty, mirroring the unpredictability of managing a forest rather than operating a machine. In forest management, the impact of our actions on the ecosystem can be uncertain; small interventions may lead to significant, unexpected outcomes. While hypotheses can guide us, true outcomes only become clear through testing and adaptation. Hence, our initial plans (the map) and the eventual reality may significantly differ.

## Understanding emergence

Differentiating between complicated and complex systems is crucial, especially when discussing innovation. While the term "emergence" is often confined to academic circles, its practical implications are vast. Emergence occurs when interactions within a system lead to outcomes that surpass the mere addition of its parts. It's a fundamental concept in understanding complex adaptive systems, illustrating the difference between mechanistic models and organic complexity, like comparing a machine to a forest or a map to reality.

We can create conditions for emergence, but we cannot plan or analyze it into existence. Consider bringing strangers together in a room: we can set the stage for conversation, which may spark new ideas and insights, yet we cannot predict the specifics of these insights. If we accept that it's a waste of time to try to analyze in advance which insights will emerge, it's better to prioritize creating the best possible conditions. Maybe we consider the environment in the room, making it extra comfortable and inspiring.

Maybe we handpick people who are particularly social and curious. It's sometimes said that humans have difficulty understanding complexity and unpredictability. Yet we intuitively understand that we can't predict the precise outcomes of complex situations, like a hockey game's result or a child's future traits.

The real challenge comes from trying to manage complexity with tools designed for predictability, a common approach in the public sector where budgets and resources are allocated in advance, and analysis and planning are seen as providing security. This is particularly true in places like Sweden, where engineering and a tradition of predictability have long been valued. Many organizational methods rely on predictability, emphasizing SMART goals - specific, measurable, agreed upon, realistic, and time-bound. However, this approach falters when the end goal is unknown or when the process is inherently exploratory, seeking a goal that emerges along the way.

## Practical strategies for navigating uncertainty

Acknowledging that outcomes cannot be precisely predicted despite extensive analysis and planning, we must adopt different strategies to foster security and propel the process.

- **Process clarity compensates for outcome uncertainty** – We may not foresee the entire process, but clarifying what we know offers stability. Understanding the next steps, how decisions will be made, and their timing is far better than total uncertainty. Setting up straightforward structures for communication and meetings adds security, even without specific details on the content.
- **Affordable loss** – Based on Saras Sarasvathy's research on entrepreneurial success, and the resulting theory of Effectuation, the affordable loss principle suggests focusing on what you're willing to lose rather than the potential return on investment. Early in the innovation process, when uncertainty is high, risks should be minimal. As clarity increases, taking bigger risks becomes more acceptable.
- **Ongoing evaluation** – Regular evaluation is critical under the affordable loss principle. Frequent reassessment offers a sense of security, making each uncertain step manageable. It's vital to feel free to stop the process if success appears unlikely.
- **Bird in hand principle** – When future resources are uncertain, make the most of what you currently have to attract more. This approach, a cornerstone of the Effectuation theory, avoids asking companies for cost estimates or typical procedures. Instead, we challenge them to use available resources to produce something convincing enough to merit additional investment, moving forward step by step.

## Many methods – a common denominator

In the past 20 years, we've seen a surge in frameworks and methods designed to manage complexity and unpredictability. Below is an overview of key methodologies commonly referenced in innovation circles. Knowing these methods is crucial for process design and innovation activities. Yet, it's essential to understand that handling uncertainty involves more than just applying techniques; it demands a change in mindset. This is particularly true in the public sector, where there's often a preference for detailed analysis over active experimentation. For those interested in diving deeper, a vast array of literature is available.

Key methodologies include:

- **Agile Methods** – A common term for methods that break down projects into smaller, flexible segments, allowing for continuous improvement and easier management of rapid changes.
- **Scrum** – A framework that organizes work into short, iterative sprints, using cross-functional teams to adapt quickly to new findings.
- **Lean Startup** – Focuses on quickly developing business models from ideas, emphasizing efficiency and fast iteration.
- **Design Thinking** – Prioritizes user needs, employing iterative development and prototype testing to discover innovative solutions.

### \* Lean Startup

Lean Startup is a methodology for developing businesses and products that was launched by Eric Ries in the early 2010s (Ries, 2011). It is based on the principle that new companies should develop their products and services with as little capital as possible. The Lean Startup method is especially popular among technology-intensive startups, but its principles can be applied to all types of businesses.

The goal is to quickly identify what customers really want and then adapt the company's offerings accordingly, rather than building a comprehensive solution and launching it on a large scale before validating that there is a demand for the solution. Instead of starting with a complete business plan or initiating extensive development projects, startups should begin by validating the most basic

hypotheses about their idea and business model using an MVP (Minimum Viable Product).

By quickly and systematically testing hypotheses, companies can confirm or adjust them. These hypotheses can be mapped out in a Lean Canvas for an overview. If it turns out that a fundamental hypothesis is incorrect, a "pivot" or directional change is made, and new hypotheses are identified and tested instead.

Some famous pivots include Starbucks, which initially sold espresso machines and coffee beans; YouTube, which started as a video-based dating service; and Twitter (formerly known as X), which began its journey as Odeo, a podcast platform.

## Iterative development and validated learning

For Demand Acceleration, fostering a culture of experimentation and learning is key. This means embracing an iterative development process where ideas and solutions evolve through continuous cycles of insight generation and validation. An iterative approach breaks down development into short cycles of creation, evaluation, and learning, enabling the refinement of solutions with direct input from user data and feedback.

Iterative development models generally follow a Build – Measure – Learn framework:

- **Build** – This phase is about quickly developing a solution version, whether a basic sketch or an enhancement to an existing solution, based on hypotheses or prior learnings. The aim is to rapidly produce something that can yield insights into its effectiveness in meeting user needs and inform subsequent iterations.
- **Measure** – Following creation, the next step involves assessing the solution's impact through user feedback and data collection. This might involve user testing, data analysis, interviews, and surveys to gauge how well the solution achieves its goals and identify any issues that need addressing.
- **Learn** – The insights gained from evaluation inform both users/clients and suppliers about what aspects were successful, what missed the mark, and what adjustments are necessary. These learnings guide the next creation cycle, with the development team either tweaking the solution based on feedback or deciding to halt development if it's not meeting needs.

Iterative development ensures that each cycle enhances and refines the solution. By regularly iterating based on real user feedback, development teams can make data-driven decisions, avoid wasteful investment in non-viable features, and ensure the solution evolves in alignment with user needs and expectations. This approach significantly reduces the risk of misaligned development efforts and guarantees that the product continually adapts to meet user demands effectively.

Using prototypes and MVPs is indeed central to Demand Acceleration and is employed to quickly test ideas. When companies present early sketches of their solutions, users gain a clearer understanding immediately, not only of what is being sought but perhaps also of what they are not interested in. This approach may be new for companies accustomed to lengthy design processes, but it is a powerful way to generate insights into needs with minimal resources. It also showcases the companies' creativity and innovative capacity.

## \* Prototypes and MVPs

The concepts of prototypes and MVPs (Minimum Viable Products) are sometimes used interchangeably, but they serve different purposes. A prototype is an early version of a product used to test or demonstrate functionalities or appearances.

An MVP is an early version of a product with just enough features to be usable and generate feedback from early users. The purpose of an MVP is to learn about the market and customer needs with the least effort possible.

### Prototype examples:

- **Paper Prototypes** – Simple sketches that show a product's basic idea, used to discuss and adjust plans.
- **Clickable Prototypes** – A series of screens that users can navigate by clicking, demonstrating how users will move through the final product.
- **Functional Prototypes** – Simpler versions of a product with some working functions, used to test and improve specific parts.

### MVP examples:

- **Concierge MVP** – A service where the founder or team manually performs tasks that are planned to be automated in the future, providing personal service to the customer to understand their needs.
- **Wizard of Oz MVP** – Users interact with what they believe is a fully functioning service, but in reality, the functions are manually performed by the team behind the scenes.
- **Single Feature MVP** – Focuses on developing and delivering a single, core feature of the planned final product to test a specific hypothesis about user needs.
- **Landing Page MVP** – A simple landing page that describes the product or service and its value proposition to measure interest and collect potential customer information before the product is fully developed.
- **Video MVP** – A short, engaging video that explains the product and its benefits to attract interest and feedback before the product is actually built.

## Integrating procurement in Demand Acceleration

The concept of Demand Acceleration originated from the collaborative insights of Karlstad Municipality and the Compare Foundation within the DigitalWell Arena innovation ecosystem. In Värmland, the synergy between the public sector and businesses, along with user-driven innovation, has a rich history. Yet, despite numerous collaborative design and innovation projects, few have transitioned into scalable, evolving solutions that generate long-term value. The challenge was to craft an innovation process that not only benefits the initial customer but also finds wider application and creates extended value. Given that public sector market dynamics are governed by procurement regulations, innovation cannot progress without considering procurement mechanisms. True innovation is realized when it generates value, which comes into play when solutions are actively used. For usage to occur, solutions must be implemented, which, outside of in-house development, necessitates procurement.

Direct procurement has been a favored method for trialing innovative products on a small scale. A typical approach involves inviting several companies to a design process, then directly procuring the outcome. Similarly, piloting innovative products through procurements below the direct procurement threshold allows public entities to test new technologies and offers innovative small companies an entry into the public sector. Such procurements can yield insights that inform broader organizational implementation.

However, the shift from direct to competitive procurement often presents challenges, straying from the seamless development-to-usage transition envisioned. Suppliers involved in the design phase might be excluded from procurement due to perceived unfair competitive advantages, such as having access to more information or overly influencing the public organization's needs assessment. Additionally, internal delays—be it budget constraints or the procurement department's bandwidth issues—can stall the process. While direct procurement offers speed and lower coordination requirements, it risks delaying broader implementation.

The breakthrough came from reimagining competitive procurement not as the innovation process's culmination but as its inception. The focus shifted from procuring a ready-made solution to procuring the development work leading to the solution, with contracts granting the municipality free usage rights to the potential result for four years. This strategy allowed for immediate, widespread implementation post-development.

Adopting this approach requires adherence to the public procurement principles throughout all interactions with companies, a process further explored in the remainder of the book.



### \* Public procurement example for construction contracts:

An area often characterized by significant uncertainties throughout the process is construction activity. Even if the end goal is clear – "We are going to build a new school" – the path there is marked by many unknown factors and necessary choices.

To manage this, new collaborative forms called "Partnering" have been developed. Much of the inspiration for the procurement part of Demand Acceleration comes from this way of collaborating between the client and the supplier towards a common end goal.

"Partnering", also called collaborative contracting, or contracting with extended collaboration, is neither a specific legal procurement form nor a type of contract in construction law. Instead, it is a structured way for primarily the client and the contractor, but also other parties involved in a construction project, to collaborate for the project's implementation.

Partnering requires a high degree of trust between the involved parties, and the people representing them. This is to encourage involved individuals to look out for what is best for the project and genuinely help each other achieve a good final product within the set goals for costs and timelines, without limiting themselves to what is best for their own company.

For this purpose, it is common, and according to most assessors also entirely necessary, to work extensively with "soft" values such as honesty, openness, respect, and engagement both before and during the project's implementation. This is especially true when organizations that are not previously acquainted need to collaborate.

In partnering, the goal is to create a sense of unity for the project where everyone helps each other across traditional company boundaries for the best of the project. This must characterize the key personnel from both the client and the contractor who are part of the partnering team, but also other participants such as consultants and subcontractors.

■ Source: *Tillämpningsföreskrifter totalentreprenadkontrakt partnering, Byggherrarna Sverige 2018.*

## Demand Acceleration: Driving sustainability

Demand Acceleration serves as a catalyst for sustainable development and transformation, emphasizing the need for the innovation process to yield sustainable solutions. These solutions must meet the challenge's criteria and be scalable by suppliers to amplify their positive impact.

The approach requires ongoing assessment to ensure the process is on track to meet its objectives while mitigating potential risks. Each process has its unique goals and challenges, demanding a comprehensive view of ecological, economic, and social sustainability effects and risks.

Predicting the precise impact of new needs and ideas in the early stages is difficult, often based on assumptions. Identifying stakeholders affected by the solution, including potential negative impacts, is crucial from the start. It's vital to make the potential positive and negative effects clear, validate them, and balance them throughout the development process. Decisions should pivot on whether the benefits outweigh the negatives and if there's a way to lessen or nullify adverse outcomes. Solutions with unjustifiable negative impacts should be abandoned.

Dialogue and collaboration between suppliers and buyers/users about the solution's global impact are invaluable. Navigating trade-offs between positive and negative impacts is more straightforward through collective decision-making, potentially enriched by external expertise.

While various tools and methods exist to foster sustainable product and service development and procurement—such as those provided by the Swedish National Agency for Public Procurement—the Demand Acceleration Community continually tests, evaluates, and endorses tools within the methodology's development framework.

Although the market offers more tools to quantify impacts, like carbon footprint or ecosystem service valuation, no tool can automatically balance positive and negative effects to deliver a definitive outcome. These tools can inform decisions but don't absolve decision-makers from their responsibilities. They reflect our current understanding, not absolute truths.

## A minimalist mindset

Despite the availability of numerous methods for need analysis and insight generation, more time spent thinking does not automatically lead to better decisions. It's essential to create an environment conducive to the spontaneous emergence of insights throughout the process, with the flexibility to pivot as needed, rather than conducting exhaustive analyses upfront. Engaging solution developers early on is key to sparking these insights sooner rather than later.

The process leader's critical role involves striking the right balance between immediate and long-term objectives. On the one hand, the goal is to move to the next decision point quickly and with minimal effort. On the other, it's about setting the stage for the solution's future rollout and adoption.

Success hinges on implementation and wide dissemination; without these, there's no impact. It's necessary to guard against giving early-stage suppliers unfair advantages that could skew future procurement processes. Equally important is ensuring the buying organization is fully on board and ready to support the process with necessary resources to avoid stalling at crucial moments.

## The crucial function of the intermediary

In Demand Acceleration, prioritizing scalability from the start is crucial. This is accomplished through two main strategies: establishing clear assessment criteria and designing the process with scalability in mind.

- **Assessment Criteria:** It's important to evaluate needs, solutions, and suppliers with an eye on market potential, rather than limiting the focus to the immediate needs of the first customer. This approach ensures that scalability and broader market applicability are considered from the beginning
- **Process Design:** The procurement process must be intentionally designed to enhance scalability. This means preparing suppliers not only to fulfill the initial contract but also to support their growth and ability to expand in the market over time.

Who is responsible for ensuring scalability in a procurement process? Typically, the responsibility falls to the public buyer leading the procurement. However, these buyers often lack the necessary expertise to evaluate scalability beyond their organizational scope, nor is this typically part of their mandate. Expertise in assessing scalability and understanding market potential is more commonly found among business development entities, such as incubators, science parks, or industry clusters.

These entities, however, are usually focused on supporting specific segments –like regional businesses or startups– which may conflict with the principle of equal treatment in procurement.

While these intermediaries play a critical role in supporting companies through innovation procurement, their support should not be formally integrated into the procurement process to avoid conflicts of interest. An independent intermediary, versed in both the public sector's needs and the private sector's solution development and scaling strategies, can act as an impartial facilitator. This intermediary aligns with the public sector's goals while maintaining a market-oriented perspective, fostering collaboration between public sector buyers and business development entities.

This intermediary's role involves assisting the needs owner in crafting processes that are conducive to business development, without directly influencing the growth strategies of the suppliers. This subtle distinction is crucial. The external process leader, whether a science park, a cluster, or an external consultant, has the primary objective of ensuring scalability within the procurement process. Maintaining neutrality towards all participating suppliers is critical, as any perceived bias could significantly undermine the integrity of the procurement process.

### “The funnel” explained –a guide, not a rulebook

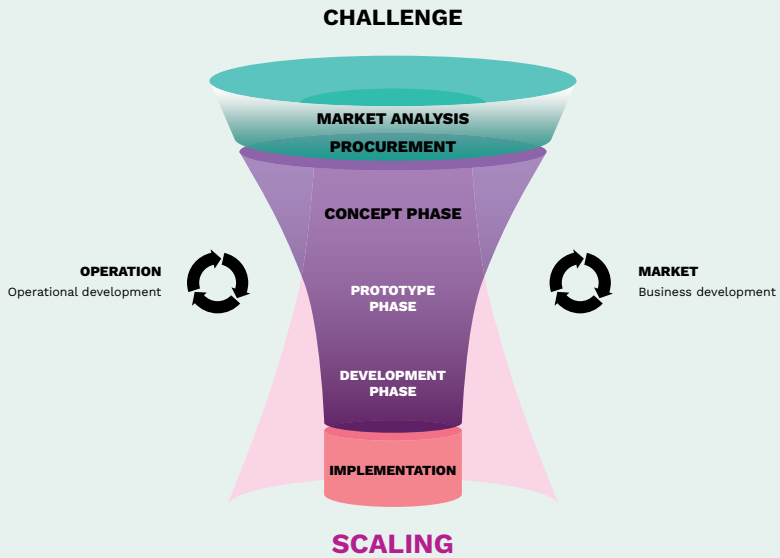
Writing a handbook about a methodology while stressing that it shouldn't be rigidly followed presents a clear paradox. This is most evident when we discuss “the funnel” diagram, which outlines how we've applied the principles in practice. The core idea is to engage suppliers early in the process because interacting with them is key to uncovering both the needs and potential solutions. Given our goal to smoothly implement a viable future solution, we adhere to public procurement principles from the outset.

The funnel symbolizes the aim to create a pathway towards a solution that achieves the intended impact. This includes facilitating the solution's implementation with the initial customer and boosting market demand for it.

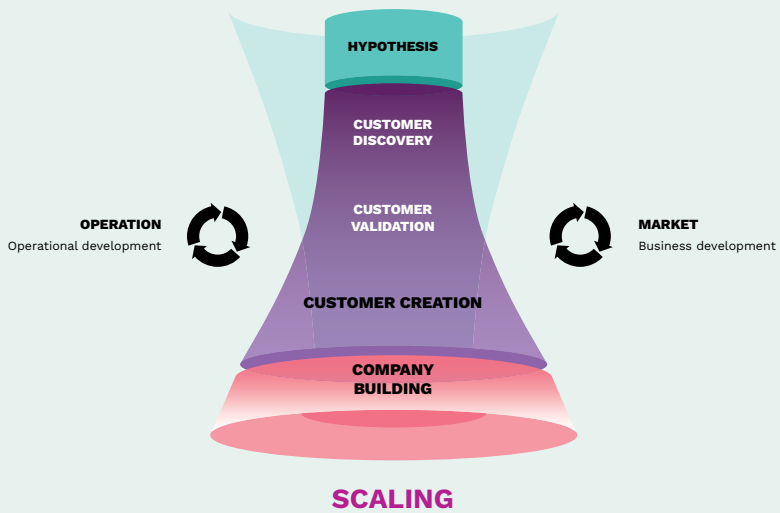
We navigate several phases, after each deciding whether and how to proceed based on the affordable loss principle mentioned earlier. During this journey, suppliers unable to meet the process's objectives may be filtered out. Details on the criteria for supplier exclusion will be covered in the following chapter.

The Demand Acceleration process embraces two critical viewpoints: an operational perspective focused on connecting the innovation process with the public buyer's business development, and a market perspective

### Buyer's perspective



### Supplier's perspective



aimed at ensuring the innovation scales to a wider market. Effective implementation requires balancing both perspectives to scale the solution across the market and secure successful adoption by the first buyer.

Diagrams illustrate the process from both the public buyer's and the suppliers' viewpoints. "The funnel" visualizes the methodology's application in initial procurements, acknowledging that early-phase processes may evolve. The exact number of phases or their labels is secondary; the model illustrates past applications of the principles, not a fixed future methodology. Future editions of this handbook might showcase a diversity of funnels for inspiration.

While focusing on the buyer's perspective, the handbook also highlights the importance of empowering suppliers to refine their solutions, fostering growth and amplifying innovation impact. Successful collaboration between suppliers and users/customers is crucial for developing solutions that genuinely meet needs, with an expectation for suppliers to scale their solutions over time. At the heart of Demand Acceleration is the emphasis on a supplier's capacity for scaling, significantly influencing their evaluation.

### The supplier's perspective explained

From the supplier's view, their journey is like looking at the funnel from the back end. Their process follows principles similar to those in the "Lean Startup" methodology. This approach focuses on achieving a "problem/solution fit," where the supplier tests hypotheses about customer needs to ensure their solution genuinely addresses those needs.

For suppliers aiming for profitable growth, the next step is securing a "product/market fit." This involves developing a product that isn't just sought after by one customer but has a broader appeal, indicating a larger market of customers willing to pay for the solution. Essentially, the supplier aims to create a product that satisfies a wide array of customer needs, ensuring the solution has a substantial market demand.

# Manifesto for Innovation

During the "Guidance in the City" project, the project group in Karlstad Municipality developed a common Manifesto for Innovation, aiming to formulate and communicate the core approach, and to emphasize the importance of collaboration and communication with suppliers.

## \* Manifesto for innovation

Remember that the language and tone of the manifesto should resonate with the participants and should be inclusive, inspiring, and action oriented. Involve representatives from potentially competing companies in the creation process to ensure anchoring and commitment to the common principles.

1. **Shared Purpose** – Define a common goal or purpose that transcends individual companies' interests. Emphasize the greater benefit that collaboration can bring to the industry or society.
2. **Openness and Transparency** – Advocate for an environment where ideas, insights, and knowledge are openly shared without fear of exploitation. Openness can promote trust and pave the way for genuine collaboration.
3. **Mutual Respect and Trust** – Emphasize the importance of respecting each other's intellectual rights and expertise. Trust is crucial for fostering an environment where collaboration can thrive.
4. **Innovation for Collective Progress** – Highlight the belief that innovation benefits all involved and drives collective progress. Encourage participants to contribute to the knowledge pool for the greater good.
5. **Commitment to Action** – Actively encourage participation and engagement from all parties involved. Encourage concrete actions that demonstrate a commitment to collaboration and idea sharing.
6. **Continuous Learning and Improvement** – Emphasize the importance of a mindset that embraces learning and improvement. Encourage feedback loops and an environment where failure is seen as a stepping stone to success.
7. **Framework for Fair Competition** – Acknowledge the importance of healthy competition while advocating for a framework where fair competition coexists with collaboration.
8. **Impact and Sustainability** – Align the manifesto with values related to social impact and sustainability, showing a commitment not just to business success but also to improving society and the environment.
9. **Governance and Guidelines** – Consider guidelines that establish or governing structures to ensure that the principles of the manifesto are maintained and followed by all participants.
10. **Communication and Engagement** – Emphasize the importance of ongoing communication and engagement among participants to maintain momentum in collaboration and idea sharing.

An abstract geometric pattern consisting of teal lines and circles on a purple background. The lines are a mix of solid and dashed, forming a network of interconnected points. The circles are small and teal, serving as nodes in the network. The overall effect is a complex, crystalline or molecular structure.

# **Demand Acceleration<sup>®</sup> in action**





# Apply Demand Acceleration<sup>®</sup>

This chapter explores how to apply Demand Acceleration principles in real-world scenarios, detailing the steps from start to finish of development projects and highlighting the lessons learned along the way. It emphasizes that, although all processes share core principles, each is unique, much like a school of fish changes direction based on its environment.

By examining these principles in action, we ensure they remain practical, not just theoretical. Undertaking the first procurement was challenging with only basic principles to guide us. The key lies in balancing inspiration from past projects with creating the best approach for the current situation. This narrative aims to inspire rather than dictate every step. The phases' names and numbers can change, showing the structured but flexible approach of this methodology. The Demand Acceleration Community constantly shares new experiences and methods, and this guide will be updated regularly with these insights. These insights are especially useful for those leading processes, whether as a public purchaser or an intermediary.

The naming and numbering of the phases are flexible, designed to illustrate the methodical yet adaptive progression inherent to this methodology. Within the Demand Acceleration Community, there's a continuous exchange of new experiences and methodologies. This handbook will be periodically updated to include a curated collection of these insights and learnings.

The insights provided are particularly relevant for those leading a process, be it from the standpoint of a public purchaser or an intermediary.



# Preparation phase

The preparation phase is crucial for collecting information to decide if proceeding with the process is viable. This stage involves clearly defining the need, establishing the methodology, and ensuring all necessary conditions are in place. This early diligence helps in identifying and addressing potential risks. Key risks to be mindful of from the outset include:

## Market demand uncertainty

It's essential to establish an initial belief in the market potential for solutions that address the need efficiently. Identifying a broader base of potential customers who share this need is critical. Although a more detailed market analysis will follow, an early assumption of market potential is foundational. Additionally, investigating whether existing market solutions could meet the needs is vital; direct testing or procurement might be more feasible if suitable solutions are already available.

## Organizational alignment

Ensuring the need and chosen methodology are well-integrated across all relevant organizational functions and levels is paramount. The specific roles involved will vary with the challenge at hand, but inclusivity from the start prevents future obstacles. Essential to this is the presence of a project "champion"—an individual deeply committed to the project's success, capable of driving the initiative forward.

## Innovation climate deficit

Organizations unfamiliar with innovation-driven projects, lacking a culture supportive of experimenting with new operational methods, may find it challenging to navigate these processes. Initiating smaller-scale projects, like pilots, might be advisable to foster a safer environment for innovation before embarking on extensive innovation procurement with limited precedential guidance.

## Resource constraints

Determining the precise resources required can be challenging in the initial stages. However, a commitment to progressively allocate necessary resources—if the decision to proceed is made—is crucial. Clarifying that resources are not guaranteed for an undefined project and that decisions to advance are made based on an 'affordable loss' principle is essential from the beginning.



# Roles

To effectively navigate a complex process, engaging individuals with the appropriate expertise and viewpoints is crucial. Identifying the key perspectives and roles to involve at different stages is a critical responsibility for the process leader. While incorporating a broad range of perspectives is generally beneficial, it's equally vital to discern which perspectives may not be essential at certain stages of the process. This discernment is a component of adopting a minimalist approach to process management.

The roles described below have been crucial in past processes and offer valuable inspiration:

- **Project Owner** – This role is filled by a representative from the organization seeking the solution, who also controls the procurement budget. Initially, this role may be assumed by a development or innovation department, but eventually, departments that will procure and utilize the solution should take ownership.
- **Project Manager** – Responsible for the project's progression and for coordinating with all relevant stakeholders.
- **Procurement Manager** – Possesses expertise in public procurement, ensuring the procurement process complies with all laws and regulations.
- **Users** – Provide essential feedback to suppliers throughout the development of solutions. Users can include staff from the requesting organization or its target audience, such as patients, clients, or residents.
- **Domain Experts** – Offer valuable insights and knowledge, typically coming from units closely associated with the users. The identification of these experts can evolve as the project progresses and becomes more defined.
- **External Process Leader** – From an intermediary body, this role focuses on integrating the market perspective into the process. Further details on this role have been discussed earlier. This leader might also ensure adherence to Demand Acceleration principles and facilitate support from the Demand Acceleration Community.
- **Internal Process Leader** – Often from an internal development department, especially if Demand Acceleration expertise exists within the requesting organization. An internal leader, such as a development manager, could assume this role, allowing the external leader to concentrate on the market perspective exclusively.



## Articulating the need

In Demand Acceleration, we prioritize working with established needs and challenges over conducting new, extensive needs analyses. The strategy is designed to spark insights through direct interactions between suppliers and users, embedding needs analysis into the process.

Considering the public sector's slow anchoring and budgeting processes, we find it more efficient to focus on areas with solid support, clear demand, and allocated innovation funds than to initiate a process for a new need. Established needs and challenges serve as our starting point, often revealing additional, actionable challenges. It's common to encounter prior needs analyses or design projects that haven't moved forward. Sometimes even funding for innovation, whether internal or external, is already in place.

The process typically kicks off with a dialogue between a key stakeholder and an intermediary to determine if Demand Acceleration is the right approach. It's crucial to identify key participants early on, especially those knowledgeable about the need and those in decision-making positions.

Incorporating a sustainability perspective from the beginning is central. The public buyer need to evaluate needs and challenges through the lenses of ecological, social, and economic sustainability immediately. This means recognizing the system where the challenge lies and pinpointing both short- and long-term stakeholders.

### Anchoring the approach

Diving into innovative procurement processes, especially those with limited precedents, demands innovation readiness within the organization. Does your organization already embrace innovation in its culture? What insights have been gained from past experiences? Establishing this new approach effectively can start with a team workshop. If there's any uncertainty about the core principles or reluctance towards innovative methods, these concerns must be openly tackled and discussed. It might turn out that a different approach is a better fit for your organization.

In large organizations, setting this groundwork can be time-consuming, potentially requiring applications for either external or internal project funding to execute the process inspired by emerging ideas. In some instances, however, just a single meeting may be all that's needed.

## Articulating challenges

The process of articulating the organization's challenge to be addressed involves defining a problem statement sufficiently and describing it as a challenge. It's crucial not to jump to solutions but to focus on describing the challenge to remain open to the proposals that suppliers will present later. Preconceiving a type of solution can also dampen suppliers' interest if they feel the public buyer has already fixed on a particular solution. The result of this challenge articulation will serve as a common foundation for the ongoing work. Ideally, this process takes place in a workshop, possibly led by an intermediary process leader.

Experience from previous Demand Acceleration processes shows that advanced workshop methods are often unnecessary for articulating challenges. An open discussion where participants share their views on the challenge and what's important to them can be very effective.

Concurrently, it's necessary to explore if there's a consensus in the organization that the challenge is a priority or if it's more of an individual's passion project. Other aspects that can be relevant to examine are: Are there funds allocated for innovation that can be tapped? Is the challenge area already included in a procurement plan? Does it have political backing? Have there been any innovation processes related to this challenge before, like need analyses or other initiatives? What have been the insights from these?

As the public buyer, it's vital not to view the challenge articulation as the culmination of an extensive needs analysis. It's about setting a direction, not finalizing an exact problem statement. Insights gained along the way will continuously refine our understanding of the challenge. What we're doing in this phase is identifying a starting point for further exploration, opening up to suppliers' ideas on potential solutions.

## Advice for process leaders

- Keep the challenge articulation process simple; it's merely about setting a starting point.
- After formulating the challenge, take a moment to analyze the challenge from a system-wide perspective. Use different lenses like sustainability, policies, technology, behavior, etc., to ensure a comprehensive understanding of the need. For instance, if the target group isn't reading much, a library of printed books won't help if they can't read.
- Understand that your understanding of the need will evolve. Be ready to refine and deepen your problem description throughout the process.
- Anchoring the approach usually takes longer than defining the challenge itself.
- Recognizing that the current conditions may not support the process, or that a different approach might work better, isn't a failure. Be prepared to pause, stop, or pivot as needed.

### \* Citizen Portal, Municipality of Hammarö

Hammarö Municipality's IT manager reached out to a process leader at the Compare Foundation after reading about their approach and a prior procurement. The challenge, named "Citizen Portal," had support from political leadership and all departments, with a push to find a solution. They also noted similar challenges in other municipalities but a lack of available solutions on the market.

A preliminary chat led to a half-day Demand Acceleration workshop with the project team. The session focused on the methodology and mindset of Demand Acceleration,

discussing leveraging demand for innovation and navigating uncertainty. The purpose of the workshop was also for the process leader to understand the organization and the challenge better and determine if Demand Acceleration was the right approach.

The workshop ended with mutual interest in pursuing the possibilities further. The municipality successfully applied for an innovation procurement grant, from the Swedish Innovation Agency, Vinnova.

### \* "Reducing Climate Impact from Public Consumption", City of Helsingborg

Helsingborg had already carried out an innovation project on goods transportation and decided to adopt a systems perspective. A process leader from an intermediary facilitated a workshop attended by key municipal roles, including innovation leaders and procurement officials, along with experts from WWF Sweden. Together, they developed a clear articulation of their challenge. This definition of the challenge laid the foundation for a Request for Information (RFI) issued a month later.

### \* "Guidance in the City", Municipality of Karlstad

Karlstad Municipality identified a challenge to make the city's offerings more accessible to people with cognitive impairments, aiming to enhance their independence and quality of life.

This project was the municipality's second innovation procurement following the Demand Acceleration methodology. One key lesson from the preparation phase was that anchoring the innovative approach is as crucial as anchoring the challenge itself, and this anchoring process often takes longer.

Applying Demand Acceleration principles and adopting the recommended approach revealed that the preparation phase's anchoring work went beyond traditional mobilization efforts, which typically involve engaging various stakeholders around a common issue—in this case, a identified challenge. Instead, it was about generating interest in the methodology and collaboratively exploring the possibilities of moving to the next phase and the potential for a successful process. In this context, a critical task for the project manager was to distinguish between risks that needed to be addressed in the current phase and those that could be managed later.

### \* "Experience My Reality," Municipality of Karlstad

The care and social services department had long struggled with effectively communicating to staff the daily experiences of individuals with cognitive impairments.

The municipality aimed to enhance staff understanding of these individuals' situations, with the goal of improving their ability to meet the needs of those unable to articulate their desires and requirements. This effort was expected to boost feelings of security and trust among both staff and the individuals concerned.

The initial challenge was defined as: "How can we use digital solutions to help our staff understand what it's like to live with cognitive impairment, in a way that could be integrated into training programs, as well as scaled?"

The process of articulating this challenge and securing organizational support spanned six weeks, from the first meeting between the intermediary process leader and the public organization to the publication of a Request for Information (RFI). There was already some groundwork laid within the operation for exploring innovative approaches to address challenges in this area.



# Market analysis

The next phase in the process involves engaging with the market, including potential suppliers and other potential customers. We're tackling two key questions: how can our needs be met with innovative solutions, and what opportunities does innovative technology offer to address our needs? This stage is all about inviting market dialogue, capturing insights from these discussions, and laying the groundwork for decision-making on future steps.

The market analysis focuses on:

- Identifying potential suppliers willing and able to develop and possibly scale a solution, exploring the opportunities they perceive.
- Investigating if there are other customers with similar challenges, indicating market potential for the solutions.

The insights from the market analysis will dictate the next steps. These could range from procuring development work in line with Demand Acceleration principles to initiating pilot projects or other forms of testing if potential solutions are already in development.

Sometimes, the analysis may reveal existing market-ready solutions for direct procurement or indicate that proceeding might not be beneficial. It might even lead to new insights about the need, prompting a revised request to the market. It's crucial to remember that if moving forward with direct procurement of pilots or test projects with one or more suppliers, competitive procurement will be necessary before implementation if the value exceeds the direct procurement threshold.

So far, in Demand Acceleration, we've initiated market dialogue by issuing an RFI (Request for Information), a formal information request aligning with public procurement's five fundamental principles, typically published through a procurement tool (e.g., e-avrop, Tendsign, Kommers).

Reaching beyond the usual supplier groups is vital for driving innovation. Actors in the surrounding innovation ecosystem, like incubators, science parks and clusters, as well as social media platforms like LinkedIn, are invaluable for spreading information.

Therefore, complementing traditional procurement publishing methods with creative approaches to better illustrate the need and reach potential suppliers is advisable. This could involve compiling materials on a webpage with videos, images, stories, and descriptions of different user types and situations, which can then be linked to the published announcement in the procurement tool.



Market analysis isn't just about engaging suppliers. It also involves assessing the market potential to gauge the solution's scalability. The public buyer, even when leading the procurement of the innovation process, should explore interest from other potential customers, not limited to the public market. Typically, an external intermediary handles the market perspective, as it falls outside the public buyer's remit. However, the public buyer can offer valuable networks and contacts, especially to other public organizations.

### Advice for process leaders

- In the market analysis phase, Principles 3 "Success can't be analyzed into existence" and Principle 4 "Interaction triggers insights" are crucial for progressing in the process. This means focusing on gathering enough information to reduce—not eliminate—uncertainty moving forward. It's critical to avoid getting stuck in analysis. Initiating an RFI early in the process can feel uncertain. This uncertainty may manifest as suggestions to "rewind," refine the articulation of the challenge further, or engage in other activities that increase comfort. Common objections like "what if no companies are interested" or "what if we don't receive any good proposals," or "what kind of insights are we expecting to gain?" are important to address by emphasizing that we will know more after the market analysis than before. There's no use in trying to predict the insights or responses we'll receive; however, we will undoubtedly have more information afterward and be able to make more informed decisions.
- The purpose of the RFI isn't just to identify interested suppliers but also to gather their ideas on potential solutions. The interaction between suppliers and the need owner will generate deeper insights for all parties, about both the need and possible solutions. These insights will inform the decision on the next steps.
- Remember, it's possible to halt the process if the market analysis doesn't show potential to solve the problem or if a potential solution lacks market viability.
- The importance of communication cannot be overstated. Many organizations have experienced publishing RFIs that received minimal responses. Often, these RFIs are posted in procurement tools, reaching mainly companies accustomed to public sector work who subscribe to relevant codes. To reach a wider array of companies, broader communication is necessary.

More examples of websites used to communicate RFIs (In Swedish)

> <https://digitalwellarena.se/upplev-min-verklighet-rfi/>

> <https://www.compare.se/medborgarportal/>

Whether hosted on the intermediary's or the municipality's website, when new RFIs are published, the information is also shared within the Demand Acceleration Community.

#### \* Guidance in the City”, Municipality of Karlstad

- Karlstad Municipality identified the challenge to make the city's offerings accessible to individuals with cognitive impairments. To gather market information and generate interest among potential suppliers, the municipality issued an RFI, published on a digital advertising portal. The RFI sought solutions for the following needs:
  - We are aware that many individuals within this group are not engaging with what society offers. This is often due to not knowing how to navigate these offerings, creating a barrier of uncertainty and the stress of unpredictability. People in this group often respond better to visual information. This means they need to see the information, and it should be available for them to review repeatedly to reinforce the message.
  - Visual information can be textual but might also include photos or images of objects. Assessments of an individual's ability to process information and instructions help determine the most effective method for each person.
  - It's important to remember that the same individual might need different types of visual instructions depending on their interests and motivation, as well as the complexity and number of steps involved in a task or activity.
  - Digital technology offers significant autonomy. City signs and guidance can be augmented with personal aids, like GPS or Google Maps. Some individuals with cognitive challenges struggle with general instructions and guidance. For these individuals, we need to tailor information to their preferred communication method, ensuring we 'speak the same language.'

> <https://digitalwellarena.se/vagledning-i-staden-rfi>

### \* "Reducing Climate Impact from public consumption", City of Helsingborg

- Helsingborg spends 3.4 billion SEK of taxpayer money annually on goods and services, resulting in 115,000 tons of CO<sub>2</sub>e emissions. The city has set an ambitious goal to become climate-neutral by 2030. To achieve this, it aims to transform public consumption and sought, through procurement, partners capable of offering solutions to reduce the environmental impact of its purchases.
- Using an RFI, the city aimed to explore existing solutions that meet its identified needs and to broadly gather information on concepts, products, and services that could significantly reduce its carbon footprint. The goal was to then co-develop concepts with several promising partners.
- The RFI requested interested parties to present their existing concepts, products, and solutions, focusing on user-friendliness, the potential for behavioral change, and smart design. The aspects the city wanted partners to highlight in their proposals for existing or potential solutions are described below. The RFI was published on a digital advertising portal and the City of Helsingborg's website.

#### User-friendliness:

- Easy to use, creating minimal extra work for operations
- Follows a methodology and template that's easy to replicate
- Facilitates daily tasks, making it easy to do the right thing

#### Driving behavioral change:

- Engages, challenges, and inspires – motivates doing even more
- Teaches staff to prioritize climate considerations
- Makes individuals feel their choices can make a difference

#### Smart design

- Transparent, with potential for reuse beyond Helsingborg's borders
- Enables tracking the effectiveness of efforts
- Opens opportunities for new actors to present sustainable solutions
- Open to various solutions, including the latest in AI technology or analog options

> <https://innovation.helsingborg.se/offentlig-konsumtions-klimatavtryck>



# Procurement

If, after our market analysis, we decide to proceed with procuring development work in stages from potentially multiple suppliers, the next step is to prepare and conduct the procurement. This means we continue to navigate uncertainty, but with a clearer idea of our objectives and the options available in the market. If the market analysis has clarified our needs and identified solutions already on or near the market that could meet those needs, it might be more efficient to pursue other procurement methods. For example, directly procuring tests or pilots, or directly procuring a solution, rather than procuring participating in the development process.

This handbook focuses on procuring participation in the development process following Demand Acceleration principles, primarily aimed at process leaders. It's designed to support the process leader in leading the procurement, with assistance from a procurement leader and, when necessary, legal expertise. The procurement leader also needs to be familiar with Demand Acceleration's fundamental principles and the innovation process's goals. Even for experienced procurement leaders, having legal consultation can be reassuring, as Demand Acceleration is a relatively new method that has been applied only a few times. Within the Demand Acceleration Community, consultants with legal expertise and procurement experience are available.

It's crucial to maintain the same mindset we've discussed earlier, even as the complexity increases with integrating a procurement's execution and its formal requirements.

## 90% innovation, 10% procurement

Demand Acceleration focuses on procuring the development of an as-yet unknown solution, rather than the solution itself. Therefore, requirements and evaluations are based on the supplier's capabilities and potential, not the functions or features of the solution. A guiding vision when Demand Acceleration was conceived was "90% innovation and 10% procurement." This means innovation lies at the heart of the process, and procurement should be integrated into the innovation process, not the other way around. This perspective is crucial, even in the phase where procurement is prepared and executed.

Creating procurement documentation, such as evaluation criteria, and reviewing and evaluating proposals are steps that can provide significant insights and influence the ongoing process. Thus, this work should not be done solely by the procurement leader but involve the entire project team. The procurement officer's role is to translate the project team's insights and opinions into formal requirements and ensure compliance with procurement regulations.

The goal of procuring development work is two-fold: to ensure suppliers are compensated for their efforts, and to make the transition from development to implementation as seamless as possible. Procuring development work in stages from multiple suppliers aims to foster an open innovation environment where the buyer can leverage the knowledge and creativity of various suppliers throughout the process. It also allows the buyer to observe how suppliers' capabilities evolve over time, reducing uncertainty about which supplier is best suited to develop and scale a solution that meets the need.

Ultimately, the aim is to create the best possible conditions for the innovation process's outcomes to deliver value, meaning implementation and dissemination. This approach should permeate the procurement work.

## The procurement documentation

The first step is to select a procedure and to design the procurement documentation. So far, negotiated procedures with prior notice have been used in procurements. Currently, the use of selective procedures for future procurements is also being considered. Procurement documentation, experiences, and lessons from all procurements are shared within the Demand Acceleration Community.

The choice of procedure is not the focal point. The key is to procure the development of a solution. The Public Procurement Act regulates the formal aspects of contract agreements, not the nature of the collaboration or the specifics of the purchase.

Since Demand Acceleration aims for the developed solution to be widely disseminated, intellectual property rights are granted to the supplier, a detail that must be clarified in the contract. It's crucial to consider the practical implications of this compared to purchasing development work by compensating the supplier with a consultancy fee per hour.

This essentially means entering into a partnership, where risk is shared. The need owner may desire a specific function during development, while the supplier might assess another function as more marketable, potentially enabling broader dissemination of the solution. This requires balancing the desires of the buyer and the supplier in a way that doesn't occur when paying a consultant by the hour. On the other hand, the supplier might opt to invest more time in development than what the buyer pays for, as this could enhance the solution's marketability to other customers. Paying a consultancy fee typically means getting exactly what you pay for, no more, no less, for better or worse.

## Contracts with options

To facilitate a process where we take incremental risks and have the flexibility to discontinue suppliers as we go, in line with Demand Acceleration principles, contracts with options have been utilized in procurements so far. In initial procurements, contracts were made with suppliers for participating in an innovation process for four weeks, with compensation of 25,000 SEK, and an option for extension. The scope of the first phase depends on each process's specific conditions.

One approach is to sign contracts with all suppliers meeting certain mandatory requirements, as was done in the first procurement following this model. This approach simplifies evaluation, starts collaboration with all suppliers, and generates numerous insights, including from suppliers who may not ultimately be capable of developing and disseminating a solution.

The downside is the resource intensity and cost of initiating parallel development processes with many suppliers. A disproportionately large portion of the total development budget might then be consumed in the initial phase. Alternatively, setting up evaluation criteria to assess and score suppliers' proposals, and then signing contracts with selected ones based on the results, is another method.

## Usage rights in the contract

In previous procurements, it was agreed that the buyer would have the right to use the results from the innovation process. This arrangement has enabled the direct implementation of the solution without the need for further procurement. The usage rights have been limited to a certain number of years. The rationale is that the market may evolve, with other companies offering similar products. A future competitive procurement could then select the best solution for the operation's ongoing needs.

## Formalities in the procurement process

It's crucial for the entire project team to have a basic understanding of the formalities involved in conducting a procurement.

After formally deciding to proceed with the procurement, including the selection of the procedure, a regulated process follows. The procuring authority must document the procurement execution to ensure transparency and compliance with the law. The procurement leader's role includes ensuring each step of the formal purchasing process, from advertising to contract signing, is documented. Documentation examples include the specification of requirements for interested suppliers, communication with these suppliers, and the selection and awarding of contracts.

### \* Usage rights

In this context, usage rights refer to the right to use something without necessarily owning it. This can involve the right to utilize a product, service, or intellectual property (such as a trademark, patent, or copyright) in a specific manner as stipulated in an agreement.

Communication with interested suppliers must adhere to fundamental procurement principles, ensuring all receive the same information simultaneously. It's common for suppliers to contact project team members directly with questions or to discuss aspects of the procurement. While this shows engagement and is fundamentally positive, the principle of equal treatment must be paramount for the project team. The simplest approach is to direct suppliers to the question-and-answer feature in the procurement tool, ensuring all suppliers receive uniform information.

Once the bidding period closes, all bids must be opened simultaneously following a specific procedure. The timeline from the procurement announcement to the contract award and signing is also legally regulated. Until the award decision is published, absolute confidentiality must be maintained, and those conducting the procurement cannot share information with anyone outside the procurement group. This includes the number of bids received. Afterward, a confidentiality assessment can be conducted if someone requests documentation and suppliers have claimed confidentiality, for example, concerning trade secrets.

## Evaluation

This section is based on experiences from a procurement project, "Guidance in the City," by Karlstad Municipality, as it's the only procurement to date where suppliers were evaluated before contract signing. The evaluation process consists of two parts: formulating the evaluation criteria in the procurement documentation, and assessing suppliers against these criteria before signing a contract.

One approach to evaluation is to view it as a risk analysis. We may not know in advance which suppliers are best suited, but we can determine which ones aren't suitable. We should consider what factors could be decisive, which we can judge based on a proposal. This way, we can design both the criteria and the request for proposals accordingly.

Every innovation process is unique, but the common goal is for the resulting solutions to create value by being implemented in public buyer's operations and disseminated to others. Since the process is carried out in stages, the criteria differ from those used in signing a multi-year contract with a single supplier, which is more common.

Simply put, the risk of signing a contract with just one supplier is ending up with a vendor unable to deliver the desired value over the contract term. By signing contracts for perhaps just a few weeks of development work with multiple suppliers, we assume a different risk. Each individual contract represents a minimal risk.

The real risk is potentially excluding the supplier with the best potential to develop the solution and deliver the intended value. Being overly cautious with evaluation criteria, risking too many suppliers meeting them, is also a concern. Viewing the procurement as a venture into the unknown, the evaluation determines which companies are invited on the journey. From an innovation standpoint, inviting all interested parties would be ideal, but from a resource perspective, it could jeopardize the process. Thus, a balance is needed to ensure the right suppliers are chosen before collaboration begins. This step is complex, and uncertainty remains high. A good approach is for the project team to formulate their questions, with the procurement leader translating these into a proper request for proposals.

For "Guidance in the City," a website was launched for the procurement, linked to the municipal advertisement database, similar to the RFI process. The goal was to attract companies not typically engaged with the public sector, aiming for wider dissemination. The website featured various videos outlining scenarios and challenge aspects, enhancing suppliers' understanding of the problem. Suppliers were evaluated based on predefined values, including innovation capability and sustainability, rather than the solution proposals themselves, which likely would evolve during development. The proposals effectively served as a work sample, assessing supplier attributes and proving effective in that regard.

Here's a list of potential aspects that could be transformed into evaluation criteria based on project group insights:

- The supplier has read and understood the procurement documents, showing basic engagement.
- The supplier has, or could acquire, the economic means to scale a solution in the market.
- The supplier understands the challenge and/or offers interpretations that provide additional value through new insights for the buyer
- The supplier possesses adequate knowledge of and interest in the target group to potentially convert their idea into a value-creating solution.
- The supplier's idea has the potential to deliver significant value and is not limited to an existing solution with minimal innovation.
- The supplier focuses on relevant aspects in their initial proposal, like the challenge, target group needs, and conceptual ideas, rather than specific technical details.
- The supplier is open to others' ideas.



- The supplier has a concept of how a development collaboration could proceed, including the challenges and needs to be addressed.
- The supplier is committed to user-driven development and has ideas on how to conduct it.
- The supplier's participation in the procurement has contributed new insights into the challenge or possible solutions for the customer.

### Advice for process leaders and procurement leaders

- Evaluation criteria often draw on past experiences, such as references from previous assignments or projects. This requirement risks inadvertently excluding startups. Sending procurement documents for review to companies that participated in the RFI is one way to ensure interested suppliers aren't accidentally left out.
- Creditworthiness is a common requirement in procurements but isn't as straightforward when procuring development work in stages. Theoretically, a supplier could have low creditworthiness at the contract's outset but demonstrate the ability to attract the necessary resources for economic stability and scaling, such as venture capital or customer financing, as the process progresses.
- Draw inspiration from other types of procurements. For instance, the procurements carried out so far under Demand Acceleration, for digital services, have been inspired by construction contracts.
- Don't fear a legal review. The Public Procurement Act evolves through court decisions, which provide guidance for future cases. Legal challenges are a vital tool for clarifying what's permissible. Avoiding a review at all costs doesn't help explore the boundaries of what The Public Procurement Act allows.
- Leverage the experiences within the Demand Acceleration Community. Previous procurement documents can inspire, but sharing experiences after each procurement is equally important. What would you do differently next time? That insight is the most valuable knowledge to build on.



# The contracted innovation process

After completing the procurement, several suppliers have been contracted to participate in an innovation process, which is expected to result in the development of one or more solutions. It's important to note that the innovation process, as defined by the Demand Acceleration principles, has so far been fully implemented only once. Therefore, the following sections are based solely on experiences and insights from "Experience My Reality," where Karlstad Municipality was the buyer and Compare acted as the intermediary process leader. The process is described from the process leaders' perspective. The intention is for future versions of this handbook to be updated with experiences from innovation processes that are currently in progress.

First, general insights and experiences from the entire procured innovation process are described. Then, the design of, and practical implementation of each phase are detailed. The description of the phases should be viewed as inspiration, not as an instruction.

## Basics of the contracted innovation process

It's crucial to always focus on the essentials necessary for deciding on the next steps. This approach maintains a good pace, frequently generates new insights, and uses resources wisely without getting bogged down in unnecessary details. To minimize risks for all parties, the process is divided into multiple stages or phases, as outlined in the Demand Acceleration principles. The number of phases required to evolve a conceptual sketch into a complete solution varies by project. In "Experience My Reality," three phases were conducted: concept phase, prototype phase, and development phase.

Suppliers that don't show the potential to meet the goals of the process—developing a solution that can be implemented, create value for the buyer, and be disseminated in the market—are gradually excluded from the process. Nonetheless, the aim is for these suppliers to benefit from the insights and knowledge they can apply in the future. Ideas and solutions emerging during the process may potentially be further developed and create value in other contexts.

Even though the formal procurement has concluded, the ongoing work must still adhere to the five fundamental principles of public procurement: non-discrimination, equal treatment, proportionality, mutual recognition, and transparency. This means the dialogue buyer/users and suppliers must be structured and conducted in a way that ensures all parties receive the same information.

An effective method for sharing information is to create a common digital platform, like a Wiki, where information can be shared and accessed by all

parties simultaneously. The principle is that each supplier owns their ideas, but the insights generated through collaboration around these ideas and the buyer/users should be shared with all, provided they are formulated in a way that doesn't reveal individual suppliers' ideas. This creates an open innovation environment where everyone involved can benefit from each other's work. It's vital that everyone involved in the development work understands and agrees to this approach from the start.

### Designing a business-development oriented innovation process

Designing the contracted innovation process is arguably the most critical task in the entire process, directly influencing how development work is carried out and which companies will be responsible for the final solution. The key distinction of Demand Acceleration compared to traditional innovation procurement is the integration of a scalability perspective.

As previously described, there are two concrete ways to integrate business development and scalability into the process:

- **Assessment Criteria:** Solutions and suppliers should be evaluated based on their market potential, rather than focusing solely on the immediate requirements of the first customer.
- **Process Design:** The entire process needs to be designed to promote scalability, preparing suppliers not just for the initial contract but also for future sustainable growth and expansion.

It's worth clarifying that in the concept of business development, we include creating a sustainable business model and company. Formulating criteria and deliverables that effectively assess sustainability aspects for each specific challenge is a substantial task. Within the Demand Acceleration Community, several ongoing initiatives build and share knowledge on sustainability and the circular economy. Preparations are underway for procurements to test these criteria in real-world scenarios.

When the contracted part of the innovation process begins, the procurement has already been completed, meaning contracts have been signed with several suppliers. As outlined in the Demand Acceleration principles, the goal is not to select the best solution outright but to progressively identify which suppliers show the potential to achieve the process's purpose and continue working with them. Each supplier is expected to deliver specific outputs, called deliverables, which form the basis for assessing whether the supplier has the potential to fulfill the process's purpose.

For instance, we might assess a solution's cost-effectiveness. But the aim is not to choose the most cost-effective solutions; rather, it's to determine if each solution has the potential to be reasonably cost-effective relative to the value it creates. Even if the first customer secures usage rights in the contract, the solution won't be economically viable if its production or delivery costs are disproportionately high compared to its created value. Such a solution would struggle to find a market following a financially sustainable business model for the supplier, reducing the chances of delivering long-term value to the first customer.

Therefore, it's crucial to have the option not to exercise the contract extension for continuing the development of a solution deemed unlikely to be cost-effective.

The design of assessment criteria is thus decisive in determining which supplier(s) will develop the final solution. In the first procurement, "Experience My Reality," deliverables and assessment criteria were defined just before each phase to ensure all insights from the preceding phase were included.

In Karlstad, the entire innovation environment around DigitalWell Arena utilized KTH Innovation Readiness Levels (KTH IRL) as a common framework. This model uses scales from 1 to 9 to assess a project's maturity from various perspectives, from the initial hypothesis about a need to market scaling. Employees from different parts of the innovation ecosystem, including those from Karlstad Municipality and Region Värmland supporting innovative companies, used the model's maturity levels as a common language. Thus, it was natural to also base the business-development aspects of process design on KTH IRL scales, both in creating deliverables and criteria.

It's important to note that KTH IRL scales reflect the project's maturity level, not its potential. Also companies like Spotify and Klarna, for example, started at low maturity levels. Conversely, projects lacking potential will eventually struggle to advance in the scales. Business development is dynamic, not linear; gaining more insights might mean developing a better solution and revisiting existing ones, possibly resulting in a lower scale position. Many companies have needed to "pivot," changing a fundamental part of their business model, such as the target customer segment. This could mean dropping a few maturity levels, but if the right changes are made, a company can recover and surpass its previous maturity level.

KTH IRL can inspire both in designing deliverables and crafting criteria. The scales can, for instance, be used to determine the maturity level a company should have reached as a way to manage risk.

For example, if a client considers it too risky to collaborate with a company consisting only of a lone founder or lacking the necessary team competencies to advance the project, a maturity level from the Team Readiness Levels scale can be set as a threshold for team assessment. This means companies below this level are deemed not to have the potential to achieve the process's goal. Deliverables in the process can then be designed with inspiration from the maturity levels to help companies reach the necessary level during the development phase.

Another way to benefit from the KTH Innovation Readiness Levels (IRL) is as a source of inspiration for designing the process and shaping expected outcomes. The scales, based on established startup methodologies such as Lean Startup, and the descriptions of different maturity levels can guide the selection of suitable outcomes for various development stages. By defining expected results, we can set requirements that encourage suppliers to actively pursue their business development, for instance, by demanding market analyses or summaries from meetings with potential customers. The submitted material can then serve as a basis for assessing the potential of companies and their solutions. It's crucial to recognize the difference between maturity level, potential, and risk. Projects at the same maturity level can have vastly different potentials. Conversely, a low maturity level, while not necessarily indicative of low potential, can signify high uncertainty and thus increased risk for the client. Therefore, the use of threshold values may sometimes be relevant for evaluating companies and their ability to achieve the process's objectives.



## Concept phase

The following sections will detail how the contracted innovation process was designed in "Experience My Reality."

Contracts were signed with each supplier for their participation in a four-week-long innovation process, with compensation set at 25,000 SEK (approx €2500). The project team from the municipality consisted of employees with extensive experience working with the target group, along with project and process managers. An intermediary process leader also participated. The work kicked off with a joint meeting in the first week, attended by all seven suppliers and the project team, where suppliers had the chance to ask questions and discuss the need with the project team. The subsequent days were dedicated to individual 90-minute workshops, where each supplier led their own session with the development group.

Over the week, the project team's understanding of the need evolved to such an extent that later suppliers received entirely different responses to their questions compared to the early ones. To ensure adherence to the principle of equal treatment and that all suppliers had access to the same information, a large closing meeting was held after all individual workshops. Here, insights from the week were shared with all suppliers. Additionally, the insights were documented in a shared wiki.

### Minimalist deliverables

The deliverables were designed to be simple enough to be feasible within four weeks with a budget of 25,000 SEK, while still allowing the project team to assess if the supplier and solution had the potential to meet the objectives of the process.

The project team determined that proceeding with an excessively immature team would be too risky. Therefore, it was decided that the team scaling the solution needed to be at least at Team Readiness Level 6, indicating a complete and diverse team capable of building a scalable business around the solution, with all necessary skills for the near future in place.

The business development criteria were established with the following thresholds:

- **Team Readiness Level (equivalent to level 6)** – A complete and diversified team is in place, capable of building a scalable business around the solution. All necessary skills must be present.
- **Business Model Readiness Level (equivalent to level 2)** – A hypothesis for a potential business model exists, along with an overarching description of market potential and competition.

- **Sustainability Readiness Level (equivalent to level 2) –**  
A hypothesis about both positive and negative social and environmental impacts of the proposed solution on customers, users, society, environment, etc., is in place.
- **Funding Readiness Level (equivalent to level 2) –** A description of activities and costs to validate the solution and its business potential, along with a financing plan for the initial milestones, is provided.

The deliverables were defined as follows:

- Concept presentation in any format (e.g., a PowerPoint presentation or a video).
- Draft of the NABC (Business Readiness Level 2).
- Draft market analysis (Business Readiness Level 2).
- Draft Lean Canvas (Business Readiness Level 2).
- Financial plan for the development phase (Funding Readiness Level 2)
- Description of potential positive and negative consequences of the solution and business from a sustainability perspective (Sustainability Readiness Level 2).
- Documentation proving the company had reached Team Readiness Level 6 (if there were doubts about this).

Suppliers received individual walkthroughs of the deliverables and expectations, with the opportunity to ask questions.

After the phase, the potential of each solution concept, and supplier, was assessed. It's important to emphasize that the companies were not compared against each other. Each supplier had a separate contract, and the assessment of the potential for the supplier and its solution in terms of meeting the process's objectives determined whether the project team chose to exercise the option to extend the contract and procure further participation in the innovation process.

Assessment Criteria for the Solution Concept:

- **Flexibility** – Does the solution have the potential to support various experiences based on different types of cognitive impairment?
- **Engagement** – Does the solution have the potential to emotionally engage users? Internally, this criterion was referred to as the "Goosebump Factor."

#### \* NABC

NABC is a concise description of an idea according to the format:

1. **Need:** The specific need or problem being addressed.
2. **Approach:** The method or solution proposed to address the need.
3. **Benefits:** The advantages of the proposed solution over existing solutions.
4. **Competition:** The current alternatives and competitors in the market.

- **Simplicity** – Could the solution be implemented with reasonable adjustments and efforts by the organization? It should also be possible for multiple users to experience the same scenario simultaneously, and the solution needs to be easily transportable to other locations.

A simple two-tier scale of "go" or "no-go" was used. The decision to only use threshold values for maturity levels in assessing the business development aspects during this phase was to ensure that suppliers focused on business model and scalability from the very beginning. This meant that no further evaluation of the submissions was carried out beyond verifying that the maturity level had been achieved.

### Advice for process leaders

- Shaping criteria and deliverables is a crucial part of the innovation process; allow yourselves to explore and iterate on different perspectives. It doesn't have to mirror the description above, as each process is unique.
- The goal isn't to design the perfect innovation process. It's vital to be efficient with everyone's time and resources. The aim is to assess, through straightforward means, whether a supplier has the potential to meet the process's objectives, to then decide on exercising the option and procuring further participation in the innovation process.
- If suppliers are unfamiliar with startup methodologies or business development in general, encourage them to seek support from innovation facilitators, possibly in their region. Incubators, science parks and business accelerator are examples of entities that could offer relevant assistance.





## Prototype phase

In "Experience My Reality," it became clear after the concept phase that we needed to understand how the concept would function in reality. The project team aimed to see if the supplier could create scenarios addressing more than one type of cognitive impairment and get a feel for the overall user experience. How would switching between scenarios work? Would it feel user-friendly? And most importantly – would it give us goosebumps? The first video created by the cognition team in collaboration with Studio Nyström had cost 10,000 SEK and resulted in both tears and goosebumps during various presentations. If the buyer were to invest up to a million SEK in developing an educational tool, they expected to get at least as much emotional impact for that investment as they got for 10,000 SEK. The product's entire purpose was to deeply resonate with participants and lead to behavioral change.

The option included an additional eight weeks of work, with a compensation of 50,000 SEK per supplier. Since it was a development collaboration, where suppliers own their products, it seemed most reasonable that they should decide how to conduct the development work in the way that best suited their process, such as how often to hold user workshops or whether to work in shorter or longer sprints.

This phase also heightened the focus on business development and market potential. In the subsequent phase, the remainder of the budget would be allocated with the goal of developing a product ready for implementation. The project team wanted to be confident that the supplier(s) continuing to the end had the capability to scale the solution in the market.

### Deliverables in the prototype phase

The deliverables and criteria for the prototype phase were designed only after completing the concept phase. It was only with all the information from the previous phase that the project team could determine what more they needed to see in this phase to feel confident enough to exercise the final option. The following maturity levels were set as thresholds that suppliers needed to demonstrate they had reached:

- **Customer Readiness Level (equivalent to level 5)** – There is established interest in the product/service among customers and users, who have confirmed that it meets and addresses their specific problems or needs. Furthermore, relationships have been built with potential target customers who actively provide feedback. Decisions have been made regarding specific customer groups or segments to initially focus on, and a sales pitch and value proposition tailored to these groups have been developed.

- **Team Readiness Level (equivalent to level 6)** – There is a complete and diversified team capable of building a scalable business around the solution. All necessary competencies are in place. This was the same threshold as in the previous phase.
- **Business Model Readiness Level (equivalent to level 4)** – Initial calculations suggest an economically sustainable business model. An initial assessment shows economic, ecological, and social sustainability. The first version of simplified income statement forecasts for the proposed business model (main costs, main revenue streams) indicates economic viability based on own assumptions and estimates.
- **Sustainability Readiness Level (equivalent to level 5)** – There is a hypothesis regarding both positive and negative social and environmental effects of the proposed solution for customers, users, society, the environment, etc.
- **Funding Readiness Level (equivalent to level 4)** – Financing to verify the commercial potential of the solution is in place, including hypotheses to verify, objectives, activities, timeline, and funding needs. Relevant funding sources have been identified, and sufficient financing has been secured to carry out a significant portion of the verification plan.

The deliverables for the prototype phase were crafted to assist suppliers in meeting the thresholds. Submitted deliverables thus demonstrated that the thresholds had been achieved.

- A Minimum Viable Product (MVP) featuring at least two scenarios addressing different types of cognitive impairments.
- Engagement with customers and summaries from customer discovery conversations. At least two customers other than Karlstad. Describe the target customers/segments for the solution. (Customer Readiness Level 5)
- Lean Canvas supplemented with figures, prediction based on market share assumptions. (Business Readiness Level 4)
- Validation of assumptions about the positive and negative impacts of the solution and business with customers (Sustainability Readiness Level 5)
- Written presentation, such as a PowerPoint, of the business model and solution. Simple, tied to sustainability aspects (SRL) that can also be used in communication. A simple financing plan for 12 to 18 months. (Funding Readiness Level 4)

## Evaluation criteria in the prototype phase

The same logic for assessment as in the concept phase was applied. It wasn't about comparing suppliers against each other but rather assessing each supplier and solution as a form of risk analysis. The criteria, therefore, highlighted areas where the greatest potential risks were perceived.

A 0 - 2 scale was used. A score of 2 meant that the project team felt confident enough to exercise the option for extension. A 1 indicated some associated risk, and a 0 was a fail. Practically, a two-step scale could have sufficed since a score of 2 on all criteria was required to proceed, but the added layer helped distinguish between outright failure and potential risk.

The assessment was based both on the solution and the quality of the submitted documentation proving the achievement of the maturity level thresholds. KTH IRL alone does not indicate a company's potential, but the quality of the documentation produced at different levels can clearly indicate potential. For instance, summaries from customer conversations could give an indication whether the supplier is capable of generating customer interest.

The criteria were formulated as follows:

- **Feasibility** – The solution must be deployable within the given timelines.
- **Integrability** – Works well with existing or desired workflows and is easy to integrate into both technical and operational architecture. Allows multiple users to share the same experience simultaneously. Easy to use and administer.
- **Cost** – Assessment of cost-effectiveness over time for an initial customer and in the market. Costs for administration, management, and use in operations. Also, costs for any necessary hardware, new content, etc.
- **Content/Scenarios** – Concept, and capability to produce new scenarios over time.
- **Developability** – Technical, organizational, and competency capacity to develop the solution with new features and values over time.
- **Maintainability** – Solution's maintainability including the supplier's ability to own, manage, and operate the solution.
- **Engagement** – Potential to emotionally engage the target group. Enhance understanding of the affected individuals' situation. The "goosebumps factor".
- **Scaling Potential and Uniqueness** – Assessment of market demand and willingness to pay linked to the solution, and the solution's uniqueness (Market penetration potential). The solution's potential to scale in the market.

"Soft values" were also assessed using the same logic:

- Collaboration ability
- Professionalism
- Initiative
- System understanding

### Advice for process leaders

- To help suppliers truly understand the need and how to develop their solution, it's crucial for the contracting entity to allocate ample time for interaction with each supplier. This not only facilitates collective learning but also eases future implementation into operations and gives suppliers a clear insight into how their solution could be marketed to future customers.
- Incorporating deliverables that promote business development, such as submitting a Business Model Canvas where the supplier outlines hypotheses about potential customers, the value these customers find in the product, and then conducting customer interviews to validate these hypotheses, is a strategy for designing requirements that integrate business development into the innovation process.
- In cases suppliers get support from business developers during the process, it's critical to maintain strict boundaries between those supporting the contracting activity and those assisting the suppliers. There must be no suspicion that the intermediary supporting the contracting customer has any vested interest in any of the companies.
- The scalability potential of the solutions isn't necessarily limited to the public sector.



## Development phase

In the "Experience My Reality" project, this marked the final phase. The option was exercised with one supplier, who was allocated the remainder of the budget to further develop an implementable solution. At this stage, both the internal project manager from the municipality's development department and the intermediary project manager played much less prominent roles. The focus shifted to the operation, specifically the cognitive team, that would later implement the solution, and the supplier.

It's crucial to remember that this was still a joint development process, and perceptions of both needs and potential solutions could continue to evolve. This phase laid the foundation for ongoing collaboration once the solution was implemented. Developing and implementing new solutions often entails some level of operational development within the organization. New solutions typically introduce new ways of working. Maintaining close contact during the development phase was essential to ensure that the solution's development and the operational progress were synchronized.

The deliverables for this phase were co-designed with the supplier and the operation. Participation in an innovation process was what's being procured, and the deliverables for this phase needed to be both realistic and aligned with the project's objectives. It was the interest of both the supplier and the operation that the development process resulted in an implementable solution that added value to the operation.

When this phase concluded in "Experience My Reality," the solution was both co-created and procured, allowing for immediate implementation into the educational activities of staff within disability services and elderly care. As a result of the process and the business development activities undertaken, particularly the customer conversations during the prototype phase, demand was generated in the market, with numerous interested customers awaiting the product's completion. One year post-implementation, the solution ViroteaED, developed by the VR company Virotea in collaboration with Karlstad municipality's cognitive team, is being sold to numerous municipalities and educational companies nationwide, including use in vocational training programs for healthcare and social care personnel.

## Advice for process leaders

- Ensure the agile methodology continues just as in previous phases, even if your involvement as a process leader decreases. Opt for short development cycles with several iterations and maintain an ongoing dialogue.
- Offer support to the supplier with advice and action that can aid in developing new business opportunities. This should always be compliant with the public procurement principles, and not give rise to undue competitive advantages. A satisfied public sector reference customer can open many doors for the supplier.
- Celebrate the fact that you've helped lay the foundation for an innovation that will hopefully bring benefits and reach many more!

The following individuals contributed to this version of the handbook during a workshop in Kista on May 11-12, 2023. The workshop was part of the Train the Trainer Demand Acceleration project, funded by Vinnova:

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