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# Grieving the Loss of a Public Contract: De La Rue and the Brexit Passport

## Abstract

**Purpose:** This paper examines how firms react to the loss of a major government contract. Reactions to contract loss have yet to be properly studied in public procurement.

**Methodology:** The hypothesis is that contract loss triggers a five-stage grieving process, as predicted by the Kubler-Ross model. The hypothesis is tested using the recent UK passport contract in which the British supplier, De La Rue, lost to the Franco-Dutch supplier, Gemalto. Secondary data from corporate publications, news reporting, parliamentary debates and trade union press releases is used to compile the case.

**Findings:** The findings show that De La Rue and its supporters passed through the five stages of grief in response to their loss. De La Rue initially exhibited *denial* by vowing to appeal the decision. Next came *anger* directed at the UK government. An attempt to *bargain* was made during the standstill period. *Depression* set in after De La Rue admitted it would not appeal. Finally, *acceptance* was indicated by De La Rue pursuing new opportunities in the product authentication market.

**Research limitations:** The study is based on a single case. Further case research is warranted to test the external validity of the results.

**Practical implications:** By debriefing unsuccessful bidders and listening to their viewpoint, public buyers can help to assuage the anger that accompanies contract loss.

**Originality:** The paper demonstrates that the Kubler-Ross model of grieving has utility for understanding reactions to loss in a public procurement context.

**Keywords:** contract loss; grieving; Kubler-Ross; Brexit passport.

Research paper

## Introduction

Public contracts represent a sizeable revenue stream for many private sector firms. Some firms in sectors like defence and facilities management even count government as their main corporate client. The benefits to suppliers from securing public contracts go beyond cash-flow and profitability to include commercialisation opportunities, reputational enhancement, and network access (Moller and Torronen, 2003; Purchase *et al.*, 2009; Walter *et al.*, 2001). By the same token, losing public contracts can imperil a firm's financial position and reduce their marketplace standing. We see evidence of this when a firm's share price drops after announcing that it has failed to secure a targeted contract. It is public contract loss that is of interest in this paper. Specifically, the paper sets out to answer the question of how firms react to losing a major government contract. Aside from quantitative assessments on the incidence and outcomes of bid protests (Arena *et al.*, 2018), there has been little attempt to address this question. Yet it deserves attention as academic and practitioner interest in public procurement continues to grow.

There are many ways to conceptualise responses to public contract loss. One is to view the phenomenon through the lens of organisational learning (Levitt and March, 1988). This would have firms critiquing their performance, identifying areas for improvement, and revising their

tendering strategy to maximise future chances of success. Another is to take public choice theory from the economics field (Buchanan and Tollison, 1972) and examine how the self-interests of the focal firm and its political stakeholders play out in response to the loss. An alternative approach, and the one taken here, is to understand contract loss in psychological terms where firms enter into a period of grieving. Relevant in this regard is the Kubler-Ross model (Kubler-Ross, 1973). It explains reactions to loss through five emotional stages: denial, anger, bargaining, depression and acceptance. While synonymous with how patients and their families deal with terminal illness, the Kubler-Ross model conceivably has validity in accounting for reactions to loss in an organisational context.

To test the applicability of the Kubler-Ross model to public contract loss, we use De La Rue and the UK passport contract as our “instrumental case study” (Simons, 2014). In 2018 De La Rue, a UK firm, lost out to Gemalto, a Franco-Dutch firm, on a ten-year contract to produce the next generation of UK passports. The case was highly publicised, not least because it became enmeshed with Brexit<sup>1</sup> and its promise of “taking back control”. To examine how De La Rue responded to the loss of one of its flagship government contracts, we analysed over 100 pieces of text data from a wide range of secondary sources. These included reports and press releases from De La Rue and Gemalto, newspaper articles, parliamentary debates, trade union statements and tweets by members of the public. The result is an in-depth, comprehensive case study of De La Rue and its supporters’ reaction to a devastating contract loss.

The study has a number of contributions to make to the public procurement field. Empirically, it provides among the first evidence on behavioural responses to public contract loss. While there is data on legal challenges to contract award decisions - see, for example, Arena et al.’s (2018) assessment of bid protests by US Department of Defense (DoD) contractors – in-depth case analysis of how organisations and their stakeholders react to loss is missing from the literature. Theoretically, the paper is novel as it utilises psychological perspectives on grieving (Kubler-Ross, 1973; Kubler-Ross and Kessler, 2005) to predict and make sense of corporate reactions to contract loss. Novel theoretical application of this kind is needed because systematic reviews show public procurement to be under-theorized (Flynn and Davis, 2014; Patrucco *et al.*, 2017). Apart from these scholarly contributions, there are learning points for government officials and corporate stakeholders on how to effectively manage the aftermath of high-stakes public contract awards.

## Literature

Since Thai (2001) published his “state-of-the-art” on public procurement nearly twenty years ago, various lines of inquiry have opened up. Some researchers have explored how public procurement acts as a policy lever for sustainability, public value and social justice (Arrowsmith, 2010; Erridge, 2007; McCrudden, 2007). Others have interested themselves in buyer-supplier relationships, with particular emphasis on partnerships and collaboration (Bovaird, 2006; Erridge and Greer, 2002; Sanderson, 2009). The role of the public procurer, and the knowledge, skills and attitudes that underpin this role, has also been subject to scrutiny (McCue and Gianakis, 2001; Ntayi *et al.*, 2011; Prier *et al.*, 2010; Roman, 2015). A separate body of literature has adopted a supplier view on public contracting. Much of its output is “barrier-centric” in that it concentrates on the systemic barriers that small and medium

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<sup>1</sup> Brexit is the term used to describe the UK’s exit from the European Union (EU). It is an abbreviation of “British exit”.

enterprises (SMEs) face when competing for public contracts (Ancarani *et al.*, 2019; Flynn *et al.*, 2015; Karjalainen and Kemppainen, 2008; Loader, 2015; Saastamoinen *et al.*, 2017).

One line of inquiry that has not been followed up by scholars is how firms react to losing a strategically important public contract. This is something quite different from perennial frustrations expressed by firms over the formalised, costly, arms-length nature of public sector tendering described in the “barrier-centric” literature. It is about how firms interpret the loss of a contract that they have invested significant resources in tendering for, are relying on to meet their business objectives, and where they may already be the incumbent supplier. It is about the repercussions of unanticipated loss and how firms cope with it. Having answers to these questions is critical if we are to arrive at a fuller understanding of the dynamics of public contracting. This paper attempts to answer them by proposing that how firms react to public contract loss is analogous to how someone grieves their own or a loved one’s impending death. The remainder of the literature section explains theory on grieving.

Kubler-Ross (1973) put forward the five-stages-of-grief model to explain how people react to death and loss (see Figure 1). It contends that patients and their families pass through five identifiable stages of grief after learning of a terminal illness. These stages are: denial, anger, bargaining, depression and acceptance. The stages of grief are understood to replace one another, so that denial gives way to anger, anger gives way to bargaining and so on. People can move back and forward between stages, however, and the patient and those closest to them do not necessarily grieve at the same pace. As Kubler-Ross clarified in later work, the stages are not “neat packages” nor are they “stops on some linear timeline in grief” (Kubler-Ross and Kessler, 2005, p. 7). The amount of time individuals spend grieving varies. Some people may be in denial or experience anger for only hours or days. Other people may spend months or even years in them.

*Denial* is the first response to awareness of impending death. Based on clinical observations, Kubler-Ross (1973) found that denial is often verbalised through patient reactions like “no, not me, it cannot be true” and, thereafter, by seeking out a second medical opinion. Family members can react in the same way, expressing incomprehension at the unfolding tragedy. The denial that Kubler-Ross observed is not, as she explains, necessarily irrational and does serve a purpose in coping with stressful situations. Mainly, it helps individuals regulate their feelings of grief, allowing in only as much pain as they can stand. The enormity of the situation may be too much to absorb all at once. Outwardly, the patient may be in a state of denial. Inwardly, they are processing the bad news and beginning to recover from the initial shock.

*Anger* emerges when denial is no longer tenable. The anger that Kubler-Ross (1973) documented among her patients was, on one level, a reaction to their fear of being forgotten. In order not to be forgotten, patients raised their voices, complained and demanded attention. On another level, anger was a reaction to the perceived unfairness of their plight. Many of the patients recounted how they had acted responsibly throughout their lives and felt it unjust that they were about to die prematurely. It was as if they had upheld their side of the bargain but someone else had reneged. This caused them to express bitterness towards those in their company, including hospital staff and family members.

*Bargaining* proceeds anger. Kubler-Ross and Kessler (2005) compared the bargaining stage to a “temporary truce” between the patient and their illness. Having expressed anger and still not escaped their predicament, patients change strategy and look to bargain with someone that can

help them. This someone may be medical staff, or it may be God as they pray for divine intervention. However a person tries to bargain, the goal is always the same: to revert to their previous state when impending death was not part of their lives. Guilt is often bargaining's companion according to Kubler-Ross (1973). Patients may reproach themselves for contributing to their illness and wallow in "if only" rumination.

*Depression* surfaces when bargaining has run its course and the patient sees no realistic hope of recovery. Kubler-Ross (1973) talks about the depressive stage as preparation for the loss that is to come - "preparatory depression". It is natural that people feel depressed knowing that someone or something dear to them will be lost. Depression, like the other stages, has a practical function (Kubler-Ross and Kessler, 2005). It slows the individual down, disconnects them from their environment and leads them to introspection. Introspection, in turn, gives them the time and space to reflect on their loss and start to come to terms with it.

*Acceptance* is the final stage in the grieving process. It comes after a patient and their family has engaged in denial, expressed anger, attempted bargaining and suffered depression. It is an emotional state where someone has reached acceptance of their situation. It is not happiness but rather something approaching equanimity. Patients accepting of their fate tend to limit contact to all but those closest to them as they await the end. For those who have suffered the loss of a loved one, acceptance is a time of "remembering, recollecting and reorganising" (Kubler-Ross and Kessler, 2005, p. 25). It is also a time of renewal as they try to move beyond grief and re-connect with the world.

<Insert Figure 1 here>

## **Method**

The case study method is used in this paper. Case study focuses on "understanding the dynamics present within single settings" (Eisenhardt, 1989, p. 534). It can be put to several uses, including a-theoretical description, theory testing and theory generation (ibid). Our interest is in testing if the Kubler-Ross model has validity in explaining reactions to public contract loss. There are no restrictions on what data can be used in case studies (Simons, 2014). Yin (2018), for instance, lists documentation, archival records, interviews and direct observations as among the main evidential sources. This paper relies exclusively on secondary data. The advantages of secondary data include its public availability, ease of collection, greater objectivity than primary data and the way in which it facilitates prompt examination of current policy issues (Donnellan and Lucas, 2013; Ellram and Tate, 2016; Vartanian, 2011). The trade-off for these benefits is that investigators have no control over data content or quality (ibid).

Our secondary data comes from multiple sources and actors (see Table 1). It includes (i) corporate announcements made by the losing bidder, De La Rue, and the winning bidder, Gemalto (ii) newspaper reporting by UK tabloids and broadsheets (iii) parliamentary questions and debates (iv) trade union press releases and (v) Twitter output. Of these, the greatest volume of information was generated by newspapers. We identified 68 articles on the controversy across the UK print media. There was also a substantial amount of political debate, with 25 written questions tabled, lengthy discussion in the House of Lords on March 23<sup>rd</sup> and the House of Commons on March 26<sup>th</sup>, and several points raised under Business of the House. Excluding tweets, over 100 separate pieces of text, ranging from single parliamentary questions to company reports, were analysed for the case.

<Insert Table 1 here>

Using a diverse range of secondary data sources enabled us to weave a rich account of De La Rue and its supporters' reaction to losing the Brexit passport contract. As will transpire in the findings, De La Rue was not the only one grieving. Members of Parliament (MPs), trade unions and media outlets also showed signs of grief. Their status in the case is akin to family members supporting a loved one in time of distress. The use of multiple document sources also made within-method triangulation possible (Jick, 1979). By this we mean that we were able to cross-check the data for internal consistency. Remarks attributed to politicians in news articles could be cross-checked with statements made in parliament, and so forth for the entire body of data. The inclusion of multiple actors and data sources equally reflects the fluid nature of the case. De La Rue's attempt at bargaining, for example, was driven by the groundswell of public anger over its loss.

The data analysis proceeded in line with recommended practice from qualitative methodologists like Miles and Huberman (1984), Ritchie and Spencer (2011), Simons (2014) and Yin (2018). The first step was to sort the over 100 pieces of text data chronologically and get a sense of its content and range. The next step was to index the data. This was done manually by annotating hard-copy printouts of corporate press releases, news reports and parliamentary debates. It meant checking each document for indicators of denial, anger, bargaining, depression and acceptance by protagonists in the case. Indicators were in the form of (1) emotions e.g. "we are in shock" = denial (2) metaphors and synonyms e.g. "dark days for UK manufacturing" = depression (3) opinion e.g. "decision is downright ridiculous" = anger or "we remain the best and securest option" = bargaining and (4) actions e.g. "De La Rue initiates internal review" = acceptance. Where an indicator was identified, its corresponding stage of grief was recorded on the margins of the printout.

When the coding was finished, the indicators associated with each stage of grief were collated. Everything to do with denial by De La Rue and its stakeholders was brought under one heading, and likewise for the other four stages. This, in effect, constituted the body of evidence for the existence of each stage of grief. Miles and Huberman (1984, p. 24) refer to this phase of the analysis as "data display", which they define as the "organised assembly of information that permits conclusion-drawing". As well as indicators of grief, we coded for instances where individuals did something or said something that challenged De La Rue's grief at any of the five stages. These were index referenced as "countervailing forces". One example is tweets by members of the public criticising De La Rue for contesting the award decision. The final step in the data analysis was to identify critical junctures that marked the end of one stage of grief and the beginning of the next. This was done through a careful re-reading of the material so as to match shifts in how the protagonists were feeling or acting to key events and dates.

## **Findings**

### *Background to case*

In 2017 the UK government invited tenders for a ten-year passport contract. The incumbent supplier was De La Rue. It secured the contract in 2009 with a bid of approximately £400 million. De La Rue is a 200 year-old British firm and the world's largest designer and commercial provider of banknotes and passports. As of 2019, De La Rue was manufacturing passports for 40 countries and designing one third of the world's total banknote denominations

in circulation ([www.delarue.com](http://www.delarue.com), 2019). As well financially lucrative, the UK passport contract was symbolically charged. After the Brexit referendum, the UK government decided that the country would revert to its traditional blue-coloured passport. The reincarnated blue passport, or Brexit passport, is intended to symbolise British sovereignty post-EU membership.

De La Rue re-tendered for the contract. It was up against two rival bidders. On March 22<sup>nd</sup> 2018 the UK government declared Franco-Dutch firm, Gemalto, the winner. To the surprise of many, De La Rue had lost its flagship contract with its own government. Moreover, the Brexit passport would now be made by a firm headquartered in France and whose parent company, Thales, is part-owned by the French government. There followed a chain reaction to the decision involving De La Rue, politicians, media outlets, public commentators, trade unions and local communities. The level of commentary the decision generated was unprecedented for a public contract. It took place against the backdrop of an increasingly fractious debate over the terms of UK withdrawal from the EU. The UK government signed a contract with Gemalto on April 18<sup>th</sup> 2018, which finalised the decision and confirmed the loss for De La Rue.

Reaction to the loss is presented in the sub-sections underneath. As predicted by the Kubler-Ross model, De La Rue and its supporters pass through five stages of grief. Denial is evident at the outset, before making way for anger, bargaining, depression and acceptance. Movement through these stages is largely sequential, although there is some overlap. For example, anger re-surfaces among De La Rue's supporters after attempts at bargaining fail. The grieving process starts on March 22<sup>nd</sup> 2018 when De La Rue discovers that it is not the preferred bidder. It draws to a close in the winter of 2018 as De La Rue reconciles itself to the loss and pivots its business operations towards anti-counterfeiting technologies.

### *Stage 1: Denial*

De La Rue's first public reaction to the loss came in the form of a terse press release on March 22<sup>nd</sup>. It noted the decision of the Home Office, acting through Her Majesty's Passport Office (HMPO), not to award De La Rue the contract, expressed disappointment at the outcome and indicated that it would appeal. This announcement marked the beginning of the grieving process. That De La Rue's initial thoughts were of appealing the decision points to its state of disbelief and denial. An analogy can be made between the reaction of De La Rue and that of a patient who, on receiving a diagnosis of terminal illness, requests a second expert opinion in the hope that it will contradict the first.

On the same day, the chief executive of De La Rue, Martin Sutherland, went on BBC Radio 4's Today programme to reiterate De La Rue's intention to appeal. Moreover, he challenged the UK Prime Minister to "come to my factory and explain to my dedicated workforce why they think this is a sensible decision to offshore the manufacture of a British icon". His statement presaged the anger that was to come once De La Rue and its supporters had time to process the decision. The workforce that Martin Sutherland mentioned were also incredulous. Alan Newman, De La Rue's head of advanced engineering, was quoted in the Daily Mail the following day as saying that "our workforce really did feel that as a factory in the North of England, in the year of Brexit, with a faultless track record, they were not going to lose this contract. So, frankly, we are in shock".

Denial was not confined to De La Rue. The Daily Mirror<sup>2</sup> started an online petition to have the Brexit passport manufactured in the UK and requested that the government re-open the tendering process. The Daily Mail was even more zealous, arguing on March 23<sup>rd</sup> that “if our ruling class has one ounce of common sense or patriotism in its make-up, this decision must be reversed, and urgently”. By mid-April, over 330,000 readers had signed its petition. Political representatives were certainly in shock over the decision. Parliamentary questions and motions tabled at this time urged the government to “reconsider this perverse decision” and ensure that the Brexit passport would continue to be produced in the UK. The immediate reaction of the UK’s largest trade union, Unite, was that ministers should “reverse the decision and start supporting British business and UK workers through public procurement”.

Amid the denial of De La Rue and its stakeholders, the UK government gave a calm and measured response. The Secretary of State for the Home Department, Caroline Nokes, asserted that “Her Majesty’s Passport Office has run a fair and open competition in line with UK law” and that “the preferred bidder has demonstrated that they will be best able to meet the needs of our passport service, with a high quality and secure product at the best value for money for passport customers and the taxpayer”. This retort is not unlike a medical practitioner impressing on their patient that the correct test procedures were carried out and the final diagnosis is correct. Not at the outset, nor at any future point, did the UK government indulge De La Rue in its state of denial.

### *Stage 2: Anger*

Initial disbelief over De La Rue losing the contract quickly gave way to anger at the UK government, the EU and the “governing class”. While Martin Sutherland’s exhortation to the Prime Minister to visit De La Rue conveyed his frustration at the impending loss, most of the resultant anger came from external actors. MPs expressed their annoyance at the HMPO decision and the indifference of the Conservative-led government to its consequences. Labour MP<sup>3</sup>, Liz Twist, whose Gateshead constituency houses the De La Rue plant, said it was “downright ludicrous to think that our new passports will be produced abroad”. Her colleague, John Spellar, complained that “no other EU country behaves like this”. On the other side of the political divide, Conservative MP, Sir Bill Cash, branded the decision “completely wrong and unnecessary” and Priti Patel deemed it “a national humiliation”.

Anger from trade unionists was just as palpable. Unite union accused government ministers of “betraying UK workers” and “doing things on the cheap”. De La Rue employees, for their part, were said to be “not only feeling betrayed but are deeply suspicious of this incomprehensible decision”. Local residents were reported to be dismayed with the outcome. One interviewee pointed out that it will have a “knock-on effect for everyone round here”. This anger reached its apotheosis in a Daily Mail leader article on the “wave of fury” over the decision. It posed the following question to the UK governing class: “Why do you hate our country, its history, culture and the people’s sense of identity?” before launching into a tirade about everything it said was wrong with the actions and attitudes of those in power.

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<sup>2</sup> In ideological terms, The Daily Mirror is a left-leaning tabloid. The Daily Mail is a right-leaning tabloid.

<sup>3</sup> Labour and Conservatives are the two biggest political parties in the UK parliamentary system. In 2018, Labour was in opposition and Conservatives were in power.



Anger was also directed at the EU and its supposed tolerance of double standards in European public procurement. As Martin Sutherland explained to the media, while Gemalto had the opportunity to compete for the UK passport contract, De La Rue did not have the opportunity to compete for the French passport contract. The reason being that France has its passports produced by a state-owned French company, rendering EC procurement directives inapplicable. This perceived unfairness was reiterated in questions tabled in parliament, with MPs asking Caroline Nokes if UK companies were allowed to bid for contracts to manufacture French and Dutch passports. Much of the anger expressed by politicians and the media was on behalf of the workers and communities adversely affected by the decision. Attempts would be made to use their plight as a bargaining chip with the government in the weeks ahead.

Not everyone was roused to anger. Some even tried to expose the dubious motives of those advocating a reversal of the decision. The Times political commentator, Matthew Parris, accused De La Rue backers of “playing to the gallery of ill-informed and authoritarian nativists”. The Aberdeen Press and Journal did likewise, describing the whole affair as “unedifying”. In parliament, Conservative MP, Kenneth Clarke, suggested that there was a “childlike, jingoistic element to this debate”. Several other Conservative MPs, instead of expressing anger over the decision, reaffirmed their support for fair competition and free trade. These views resonated across Twitter, with most users taking the view that it was hypocritical of De La Rue to bid for contracts with foreign governments while effectively wanting its home market protected from overseas competition. The role played by these actors is comparable to family members urging their loved one to act reasonably and not blame others for their dilemma.

### *Stage 3: Bargaining*

By early April, anger was replaced by a concerted effort to have the decision overturned. Hopes were raised on April 2<sup>nd</sup> when the UK government decided on an extension to the standstill period<sup>4</sup>. This afforded De La Rue extra time to appeal the decision – something it said it would do from day one. At this point, De La Rue was making overtures to the government, suggesting that Gemalto’s bid was below cost, and that they, De La Rue, remained “the best and securest option in the national interest”. This line of argument was taken up by MPs like Grahame Morris who said that “the new contract represents a considerable reduction compared with the present arrangements, and I believe that De La Rue has been aggressively undercut by what might turn out to be an unviable bid”.

Political actors saw the extension of the standstill period as a chance for the government to enter into negotiation with De La Rue. Conservative peer, Lord Naseby, said “we now have this interim period to make it clear that the British public wants their blue passports produced in the UK”. The same peer announced that he had written to the Prime Minister asking that the decision-making process be reviewed. Labour MP, Liz Twist, saw the situation in a similar light, stating “we need more time to talk about this contract and to explain why we think it’s the wrong decision”. John Spellar appealed to the Home Secretary to “call in the decision and engage with De La Rue to preserve British jobs for British workers in the north”. The tone of

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<sup>4</sup> The standstill period in the EU is a pause of at least ten calendar days between notification of contract award and contract signing. Its purpose is to give unsuccessful bidders the chance to legally challenge the decision of the awarding body.

news coverage was switching from anger to cautious optimism. The Daily Mail saw “new hope blue passports could still be made in the UK”.

In seeking to bargain with the government, De La Rue and its supporters undermined Gemalto on a number of fronts. Apart from the accusation that the Gemalto bid was below cost price, concerns were raised over quality standards and national security. It was reported that there had been problems with passports and ID cards supplied by Gemalto to Peru and Estonia. By contrast, De La Rue was presented in hagiographic terms in the Daily Mail and in trade union press releases as never having missed a single delivery in the decade of the current contract. A previous cyber-security incident at Gemalto was used to imply that the personal data of British citizens could be compromised. Added to this was speculation over where the passports would be produced and what this might mean for the integrity of the document. Conservative MP, Peter Bone, asked “where on earth are these passports actually going to be printed. Are passports actually going to be made and printed in France or printed in some sweatshop in the Far East?”

Economic value was put forward as another reason for the government to reverse its decision. Questions were tabled in parliament asking if the economic impact of awarding the contract to a foreign supplier was integrated into the decision-making process. Labour MP, John Spellar, spoke of delivering “local value” for the Gateshead region. Other parliamentarians queried the net effect on employment. These questions came on top of a cost-benefit analysis, which estimated that the UK would forgo £162 million in taxes by not awarding the contract to De La Rue. Trade unions, for their part, emphasised the loss of well-paid, unionised jobs. The spectre of job losses was something that had been raised earlier but was now being used as a lever to get the government to reject the Gemalto bid and choose De La Rue instead.

The bargaining attempts made by, and on behalf of, De La Rue were rebuffed by the government. On financials, the riposte was that the Gemalto bid was £120 million cheaper than De La Rue and represents the best value-for-money for passport customers and taxpayers. The government did add, however, that Gemalto’s tender committed them to working with SME suppliers and creating apprenticeships. On the question of security, the government gave an assurance that the personalisation of passports with citizen data would take place in the UK. While conceding that blank passport books may be printed abroad, this was no different from the previous arrangements where De La Rue sourced 20 per cent of its books from overseas. Gemalto, in its subsequent press release, underlined the security credentials of its passports and re-stated that citizens’ biometric data would not leave the UK. Moreover, it pointed to its substantial UK presence, its 500 strong UK workforce, and its servicing of the UK driving licence contract as evidence of its trustworthiness.

#### *Stage 4: Depression*

The bargaining phase ended abruptly on April 18<sup>th</sup> when De La Rue issued a press release stating that it would not go ahead with its appeal. Explaining the decision, Martin Sutherland, said that “our chances of getting the decision overturned look slim. This is the rough and tumble of business, you win some you lose some”. So began the phase of depression for De La Rue and its supporters. Finally accepting defeat meant that it was forced to write-off £4 million related to its failed bid. Its share price fell by almost eight per cent on the same day. Soon after, the company announced its second profit warning of the year and experts advised investors to

“cash out” of De La Rue. Around this time there was speculation that hedge funds were targeting a takeover of De La Rue, which compounded its woes.

De La Rue was not the only one feeling rueful. The decision not to appeal was a “dark day for UK manufacturing” and left De La Rue workers feeling “let down” by their own company, in the view of Unite trade union. The language used by MPs was similarly downbeat. For Priti Patel, it was a “sad day and the implication, sadly, is job losses in the United Kingdom”. Labour MP, John Spellar, echoed this sentiment, even suggesting that the Prime Minister should go to De La Rue and apologise for the jobs that are now under threat. In a tongue-in-cheek assessment of the matter, the Financial Times quipped that “De La Rue’s Brexit passport misjudgement leaves it feeling blue”. Other media outlets chided De La Rue for not pursuing the appeal and accused them of “surrender”, “capitulation” and “throwing in the towel”. The anger of earlier weeks was re-surfacing, only this time it was De La Rue in the firing line.

If De La Rue was depressed, Gemalto was elated. While remaining silent in the weeks following the March 22<sup>nd</sup> announcement, the company issued an official press release on April 23<sup>rd</sup> confirming its success. The Managing Director of Gemalto UK, Henning Berg, expressed the company’s delight at having been selected by HMPO to deliver the next generation of British passports. With a nod to the criticisms made of it over the preceding weeks, it highlighted its expertise and capabilities in digital security and reassured passport users of the quality and reliability of its product. The celebratory tone continued in its subsequent corporate communications, with the UK passport contract singled out in its Annual Report and on its website as a big boost to its Identity and Cyber-security business segment.

#### *Stage 5: Acceptance*

Towards the end of May, De La Rue was showing signs of accepting its loss. Martin Sutherland claimed to have “no regrets” over his ultimately unsuccessful attempt to get the government to reverse its decision. Suggestive of trying to bring closure to the debacle, he said that “as a business... we have to act in the interests of our staff, of our customers, of our shareholders and we have to focus our efforts and our energies elsewhere”. He insisted that “missing out on the contract had not harmed De La Rue’s ability to win work producing other countries’ identification products”, adding that the company had recently agreed deals with Australia, Bangladesh, Malta and the Dominican Republic. De La Rue was also said to have launched an internal review of where it went wrong, which is suggestive of having accepted its loss.

Signs of acceptance were again evident in De La Rue’s Annual Report, published on June 21<sup>st</sup>. The Chairman, Philip Rogerson, began his introduction by admitting that losing the UK passport contract was a “blow” but went on to say that the company had made progress against its strategic plan to transform itself into a less capital-intensive, more technology-led business. A determination to move forward was reiterated at the presentation of De La Rue’s half-year financial results in November. Martin Sutherland announced that “in the light of the UK passport decision, we have concluded we will refocus our identity business on the supply of higher-margin security features and components”. Notable in this regard was its strategic partnership with Optel, a specialist in traceability systems, and its joint development agreement with PNO Global, a provider of security services for the currency industry. These signalled new departures for De La Rue as it divested itself of its paper business and expanded its presence in the high-growth product authentication and anti-counterfeiting market.

Political protagonists had by now reconciled themselves to the loss. Writing in *The Newcastle Journal*, the local Labour MP, Liz Twist, pledged to “keep pushing for De La Rue to bring new work to Team Valley and ensure that we can keep these quality jobs here in the North East”. The media, or at least the business broadsheets, were also of the opinion that De La Rue had accepted its loss and was moving on. Commenting on De La Rue’s 2017/18 financial results, *The Times*<sup>5</sup> headlined its article with “printer shrugs off passport contract snub” before giving an upbeat assessment of De La Rue’s future growth prospects. *The Financial Times* drew the same impression, writing “De La Rue shrugs off post-Brexit passport contract miss”. One exception was the *Daily Mail*, which was still bristling over the loss. Into July it was raising the prospect of a hostile takeover of De La Rue, accusing De La Rue management of having “something to hide” after its reporter was refused entry to a shareholder meeting, and disparaging Martin Sutherland as the “boss who dodged the fight”.

### *Summary*

Evident in the preceding sections, De La Rue and its supporters exhibited denial, anger, bargaining, depression and acceptance in response to losing the UK passport contract. Some of these emotions lasted a matter of days. Others, like depression and acceptance, stretched over weeks and months. While there was overlap between these emotions, and De La Rue and its supporters were not always moving in tandem, the range of emotions exhibited and the pacing of these emotions was accurate to theoretical predictions. On this basis, the Kubler-Ross model of grieving can be said to have validity for explaining how firms respond to contract loss. The timeline of grief for De La Rue, as well as the main indicators of grief at each of the five stages, is summarised in Table 2. A post-script to the analysis. On May 30<sup>th</sup> 2019, Martin Sutherland announced that he would be resigning as CEO of De La Rue. This signifies the final act of acceptance in De La Rue grieving the loss of the UK passport contract.

<Insert Table 2 here>

### **Discussion**

As stated at the beginning of this paper, the outcome of supply contract competitions can have significant impacts on the bidders involved. Success can mean validation of the winning bidder’s business model and act as a springboard to new opportunities with public and private sector customers (Moller and Torronen, 2003; Walter *et al.*, 2001). Failure, on the other hand, is a setback for any firm. Questions may be asked of the firm’s competitiveness in the marketplace and their ability to satisfy customer expectations. In a more tangible sense, failure can precipitate profit warnings, reductions in market valuation and scaled-back production or service offering. Given the issues at stake, it is surprising that researchers have not shown greater interest in this area. Even though the public procurement field is maturing (Flynn and Davis, 2014), it still lacks insight into the effects of contract loss and how firms respond to loss. The aim of this paper has been to generate such insights by taking one of the most controversial contract award decisions in UK history and examining the reactions of those at the losing end of it.

The central argument of the paper is that firms go through a grieving process on learning of the loss of a major public contract. Our results lend credibility to this proposition. As predicted by

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<sup>5</sup> The Times is a right-leaning broadsheet.

Kubler-Ross (1973), De La Rue and, to varying degrees, its supporters passed through the five stages of grief. Denial manifested itself at the start, with De La Rue refusing to believe that it was not the best bidder. Then came anger directed at the UK government and the EU over the perceived injustice of the decision. The mid-point in the grieving process saw De La Rue attempt an ultimately unsuccessful rapprochement with the government. This led to a period of depression as hope was extinguished and the stark reality of loss was all that was left. Over the proceeding weeks and months De La Rue reconciled itself to the fact that it would no longer be the UK passport supplier. In spite of its origins in clinical psychology, our results show that the five-stages of grief model can be extended to the business field and, in particular, to contract loss.

The idea that grieving can be an iterative, dynamic process was explicitly acknowledged by Kubler-Ross in her later work (Kubler-Ross and Kessler, 2005). This was found to be true of De La Rue and its supporters' behaviour. The emotional states they experienced were not always discrete and they did alternate between them. An example of this can be seen when De La Rue issued a press release vowing to legally challenge the decision (i.e. denial) on the same day that its CEO, Martin Sutherland, publicly criticised the Prime Minister (i.e. anger). In the main, though, how De La Rue grieved its loss followed the expected sequence of denial-anger-bargaining-depression-acceptance. This was because critical events ushered De La Rue out of one phase of grief and into the next. For instance, an emergency debate in parliament four days after the decision was first announced allowed MPs the opportunity to vent their anger. This had the effect of jolting everyone out of denial. Likewise, the extension of the standstill period meant that anger dissipated as De La Rue and its supporters turned their energies to getting the decision rescinded and preventing the loss of a £400 million contract.

Families are central characters in the grieving process and their attitudes can help or hinder the patient (Kubler-Ross, 1973; Kubler-Ross and Kessler, 2005). De La Rue's "family", comprising sympathetic MPs, the tabloid press and trade unions, was no different in this regard. These actors rallied to De La Rue's cause at the outset and fought on its behalf, just as family members express solidarity with their loved one and implore doctors to do everything possible to return them to health. Their support helped sustain De La Rue through its initial shock and instilled hope that a positive outcome could yet be achieved. It also meant De La Rue had a coalition of political, media and civic society actors capable of mobilising public opinion. De La Rue courted these actors by, for instance, hosting MP visits, giving radio interviews and letting reporters on site to talk to employees. In effect, De La Rue made public its grief in the hope that this would embarrass the UK government into reversing its decision. De La Rue supporters, like family members, amplified and dramatized this grief.

The motivations of De La Rue's supporters were not wholly altruistic, it must be said. Consistent with what public choice theorists like Buchanan and Tollison (1972) have to say about the workings of the political marketplace, much of the supporters' behaviour was driven by self-interest. Workers saw their livelihoods under threat. Trade unions saw the further erosion of their membership in the domestic manufacturing sector. MPs were worried about the economic impact of the contract loss on their constituencies, and what it might mean for their own chances of re-election. There was also tensions between and within the main political parties over public procurement goals and priorities. Some emphasised "value for money". Others insisted on supporting domestic industry above all else. Sides were taken for or against De La Rue on this basis. The tabloid press, particularly the Daily Mail, used the whole episode

to denounce EC Procurement rules and beat the Brexit drum. It was these self-interests, more so than concern with the public good, which animated De La Rue supporters over the course of the grieving process.

Self-interest on the supporters' part prevented them from constructively engaging with De La Rue on the reasons for its failed bid. The medical parallel is when family members avoid discussing the seriousness of a loved one's condition with them for fear of what it means for their own future (Kubler-Ross, 1973). Instead, supporters maintained the pretence that De La Rue was blameless and that the fault lay with the awarding body. The interests of De La Rue and its supporters did eventually diverge. It was in De La Rue's interest to drop the appeal and move towards acceptance. It was in their supporters' interest to prolong the contest and hope that the decision in favour of Gemalto would be overturned in court. When this option was closed off, their goodwill evaporated and resentment towards De La Rue set in. There is an opportunity here for future research to take public choice theory and look much deeper into the self-interests of corporate, political and civic society actors in major government contracts, and what happens when these interests clash.

In addition to its academic relevance, the case yields learning points for practitioners. For one, it points to the advisability of public buyers meeting with unsuccessful bidders and debriefing them on the strengths and weaknesses of their bid. Based on what Kubler-Ross (1973) found, this should go some way towards assuaging the anger of losing bidders. For her, patients who were listened to and shown empathy by medical professionals emerged from their state of anger quicker. In this vein, it is notable that the US Air Force has introduced "extended debriefing" as part of its strategy to minimise legal challenges to contract award decisions (Arena et al., 2018). "Extended debriefing" provides full information disclosure about the award process to failed bidders' legal representatives. The rationale behind this enhanced disclosure approach is to remove suspicions that bidders might harbour about the fairness and objectivity of bid evaluation procedures. Its effect has been to reduce the number of formal protests lodged, with knock-on benefits in terms of timely project delivery and less litigation.

The case also contains lessons for business stakeholders. There was little critical reflection by De La Rue stakeholders on why its bid was £120 million higher than Gemalto's bid. Had such critical reflection taken place, De La Rue would have been forced into a state of acceptance sooner. The same stakeholders pressured De La Rue to pursue an appeal even after it had conceded defeat. This prolonged the depression phase for De La Rue and delayed closure on the matter. Intra-family conflict of this type is not uncommon, as Kubler-Ross (1973) noted, and causes unnecessary anguish for the patient. Hence, stakeholders should respect the wishes of the losing firm and not project their own goals and agendas onto them.

## **Conclusion**

This study sheds light on how firms react to losing public contracts. It shows that firms display a complex set of emotions in response to loss, much the same as individuals do when faced with their own or a loved one's impending death. The result is a fresh rendering of supplier involvement in the public sector marketplace; one that extends out from previous lines of inquiry into the challenges and attractions of doing business with public sector organisations. For instance, whereas previous research has mainly looked at firms' perceptions and experiences at the pre-tendering and tendering stages (Ancarani *et al.*, 2019; Flynn *et al.*, 2015; Karjalainen and Kemppainen, 2008; Loader, 2015), we look at what happens post-tendering

and the after-effects of a controversial award decision. Equally, whereas previous research has documented why private sector suppliers are attracted to the public sector marketplace (Purchase *et al.*, 2009; Withey, 2011), we detail just how much is at stake in financial and reputational terms for firms vying to maintain their commercial relationships with government buyers.

The study also manages to elucidate the role of institutional actors in public contracting. It leaves little doubt that elected representatives, the media and civic society groups have vested interests in the outcome of contract competitions. Moreover, they use their agency in pursuit of their own interests, whether through political bargaining, lobbying or editorials. These observations add to the conversation about the role of political and other institutional actors in procurement decision-making, which was started by Murray (2007, 2009) and continued by Gelderman *et al.* (2015). For these authors, elected representatives have the capacity to steer local government procurement strategies and shape procurement outcomes. As such, they are deserving of greater researcher attention. The final contribution of our study is theoretical. The starting hypothesis was that losing a public contract induces a five-stage grieving process. Support was forthcoming for this hypothesis, which suggests that the Kubler-Ross model has utility for understanding loss in a public procurement context.

There are limitations to this study. It is based on a single case, which raises questions over the generalisability (external validity) of its results. Do most firms undergo a process of grieving in reaction to the loss of a major contract or is this unique to De La Rue? In defence of our stance, we cite arguments made by Flyvbjerg (2006, p. 226) that “the strategic choice of a case may add to its generalizability”. Given its financial and symbolic significance, as well as its ripple effects across the political and economic landscape, the UK passport contract deserves to be classed as a strategic choice case. It is worth remembering that classic case study research typically relied on a single in-depth case and its theoretical insights were no less valuable for it (Dyer and Wilkins, 1991). Even so, conducting comparative case analysis, as Eisenhardt (1991, p. 620) recommends, would provide a stronger empirical grounding and lead to a “more complete theoretical picture”.

Another limitation of our study is its reliance on secondary data. By the time the research commenced in early 2019, the grieving process for De La Rue had effectively ended. This meant that the window of opportunity for interviewing the main protagonists or directly observing their behaviour had already closed. Primary data of this type is among the main evidential sources used in compiling cases of organisational phenomenon (Yin, 2018). We concede that its omission here means that there is a lack of immediacy to the feelings and behaviours of actors within and outside De La Rue. One way to address this issue is for researchers to establish a relationship with one or more firms actively competing in the public sector marketplace, then commence case investigation once a tender has been submitted. This way corporate reactions to success or failure can be observed and recorded first hand and in real time.

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Figure 1 The grieving process

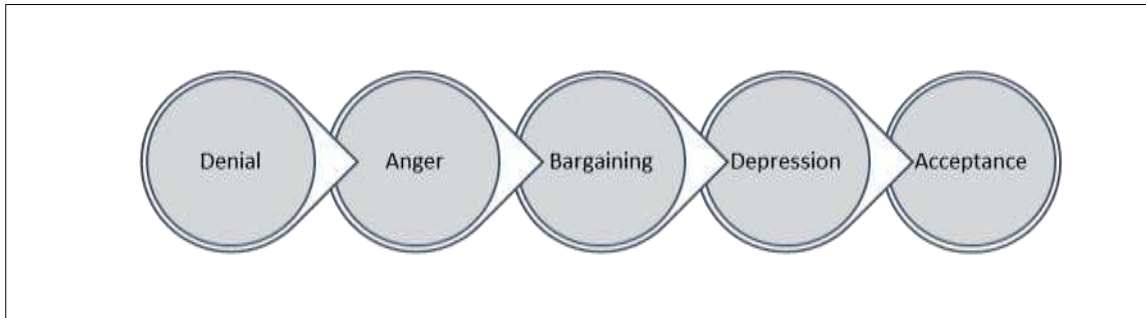


Table 1 Secondary data sources

Actors	Secondary data type	n	Source	Search strategy
De La Rue, Gemalto	Press releases	6	<a href="https://www.delarue.com/">https://www.delarue.com/</a>	Review of material in online document libraries.
	Financial results	3	<a href="https://www.gemalto.com/">https://www.gemalto.com/</a>	
	Annual reports	2		
News media	UK newspaper articles (broadsheet and tabloid)	68	Nexis UK database, Financial Times database	Keywords “De La Rue” <i>and</i> “passport” were searched in headline and lead paragraphs of newspaper articles published between 01/01/2018 and 31/12/2018.
Politicians	Written parliamentary questions and answers,	25	<a href="http://www.parliament.uk">www.parliament.uk</a>	Keywords “De La Rue” and “passport” was searched in (i) written questions and answers database (ii) parliamentlive.tv digital archive and (iii) parliamentary material database.
	Parliamentary debates,	2		
	Early Day Motions,	1		
	Other	6		
Trade unions	Press releases	5	<a href="https://unitetheunion.org/">https://unitetheunion.org/</a> <a href="https://www.tuc.org.uk/">https://www.tuc.org.uk/</a>	Review of material in online document libraries.
Public	Tweets	50+	Twitter	Online search using the hashtags #BritishPassport and #DeLaRue

Table 2 The grieving process for De La Rue

<i>Timeline</i>	March 22	March 26	April 02	April 18	May 30 $\longrightarrow$
<i>Key events</i>	Gemalto chosen as preferred bidder	Parliamentary debate on UK passport contract	Government extends standstill period	De La Rue admits it will not appeal	De La Rue announces 2017/18 financial results
<i>Stages of grief</i>	<b>Denial</b>	<b>Anger</b>	<b>Bargaining</b>	<b>Depression</b>	<b>Acceptance</b>
<i>Indicators of grief</i>	De La Rue vows to appeal decision	Prime Minister challenged to visit De La Rue plant and explain decision to workers	De La Rue claims to be “the best and securest option in the national interest”	De La Rue writes-off £4 million in bid costs	De La Rue initiates internal review to learn lessons from its failed bid
	Tabloid newspapers start petitions to have decision overturned	De La Rue workers and local community annoyed over decision	De La Rue and MPs imply Gemalto bid is below-cost and should be rejected as unviable	De La Rue share price falls 8%. Vulture funds start to circle	Martin Sutherland says he has “no regrets” over his response to losing the Brexit passport contract
	MPs request government to re-consider decision	Labour and Conservative MPs express outrage over “wrong” decision	MPs invoke national security concerns as reason for government to reverse decision	Media and some MPs accuse De La Rue of “throwing in the towel” for not appealing	De La Rue Annual Report acknowledges “blow” of losing passport contract, but highlights progress made on strategic objectives
	Unite union demand decision is reversed	Unite union accuses government of “betraying” UK workers	Cost-benefit analysis used to show that £120 million saving from Gemalto bid will be neutralised by tax forgone	Unite union calls confirmation of contract loss a “dark day for UK manufacturing”	De La Rue signs partnership deals with Optel and PNO Global as part of strategic re-positioning
		Daily Mail excoriates British “governing class” for lack of patriotism	Risk of direct and indirect job losses if De La Rue not awarded contract	MPs predict job losses now that De La Rue will no longer	The Financial Times and The Times confident De La Rue has “shrugged off” contract loss, and present

				manufacture UK passports	upbeat assessment of its growth prospects
<i>Countervailing forces</i>	Government insists contract award process was fair, and that the best-value bid won	Other Conservative MPs affirm support for free and fair competition	Government clarifies that passports will continue to be personalised in the UK	Gemalto expresses delight at being chosen to deliver the next generation of British passports	Daily Mail suggests there could be a hostile takeover of De La Rue, and describes Martin Sutherland as “boss who dodged fight”
		Twitter users say De La Rue is hypocritical to complain about foreign competition given that it competes globally	Government reminds everyone that Gemalto already services major UK public contracts		