



Engaging SME's – 'The Best Things Come in Small Packages'

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Background

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What are we really talking about?

Company Category	Employees	Turnover (Euros)
Micro	<10	≤2m
Small	<50	≤10m
Medium	<250	≤50m



Turnover £2bn with pre-tax profits of £94.5m

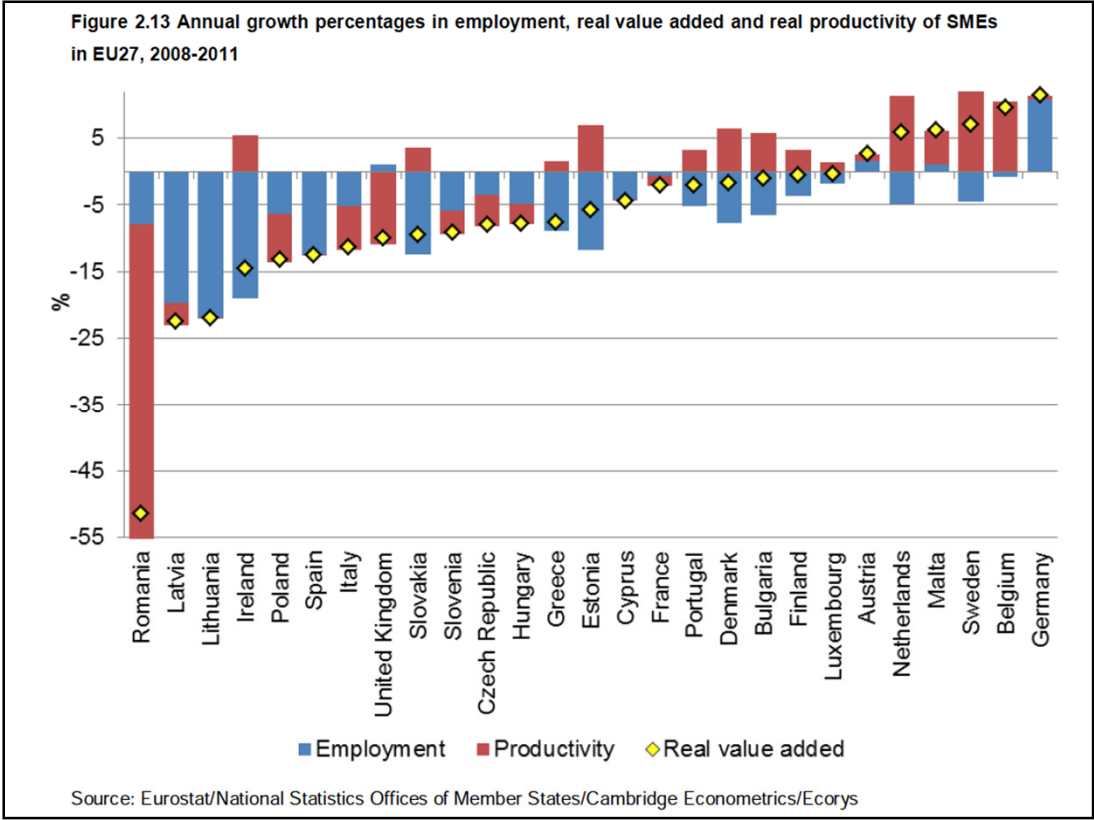
(10 x turnover of 'average' SME)



SME Performance Review







The 'Big' Agenda

"So if you run or represent SMEs, give us the chance to prove we're serious about much more public sector business going to small businesses. We want SMEs to be confident that, if they bid for our business, they know there is a real chance of winning".

Our latest figures show that the value of central government business going to SMEs is on track to double from £3 billion to £6 billion (6.5% to 13.7%) by the end of this financial year, despite government spending much less overall on procurement.



BUT, something doesn't add up

$$2+2=5$$



Outcome Based Research?

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A little research.....

Cost

- ☉ Maude states that the average cost of each French public sector procurement is £19,000, while in the UK it is £46,000, and that typically UK 'bidding costs' are four times as much

Murray, 2011

- ☉ "The biggest failure of the whole speech is that it does not say how the proposed changes will be made to work. For example a number of the older initiatives mentioned have failed to cascade from policy to embedding in procurement strategy, procedures and performance management".
- ☉ "The speech did not explain how the new 'revolutionary initiatives' will be monitored. Without performance management, it will be difficult to make progress".



Is History Going To Repeat Itself?

"The ideas will not revolutionise how government buys, because most of initiatives are recycled. That is not to say that some of the initiatives should not be re-emphasised at a time when procurement appears to have drifted to a focus on price. Yet policy-makers need to understand there is an enormous chasm between saying something will, or should, happen and it actually happening—the revolution would need to be embedded in procurement strategy, procedures and performance management.

In the absence of a robust approach to performance the revolution, recycled or not, can only be expected to remain a pipedream. A failure to implement procurement policy should be a concern as it weakens the whole foundation of the UK's austerity strategy"

(Murray, In Publication)



Historical Barriers? (Loader, 2005)

- ☾ Lack of awareness to opportunities
- ☾ Difficulty getting on 'approved supplier lists'
- ☾ Lengthy & Complex Tendering Process
- ☾ Overly Prescriptive Requirements
- ☾ Insufficient consultation prior to tender
- ☾ Scales of contract unsuitable for SME's
- ☾ Too much focus on cost
- ☾ Restrictive requirements (e.g ISO14001)

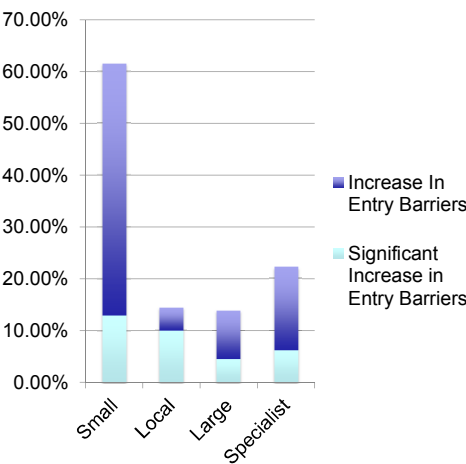


There's more.....

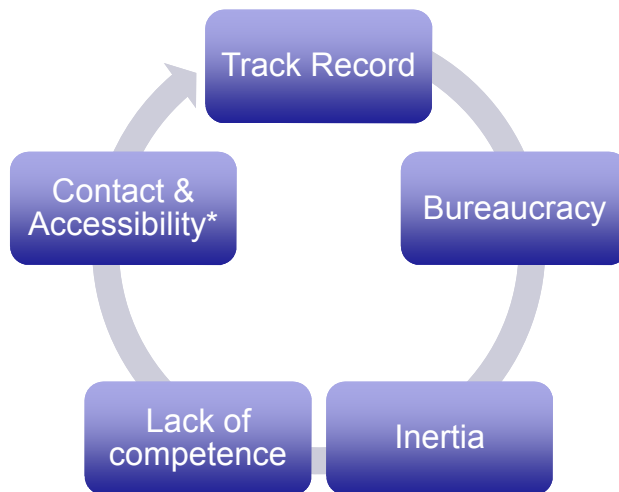
How we make procurement decisions

- ☾ Value adding and quality are factors but cost-cutting, which is most prominent, is the more difficult for SMEs (Beaver and Prince,2004).
- ☾ Bovis (1996) determined that a majority of SMEs found larger scale public contracts to be an inhibiting factor to supply and this was supported more recently by Walker and Preuss (2008) in their study focusing on sustainable procurement. Supplier consortia could provide a means for small firms to enhance their capacity. However, evidence suggests that such arrangements prove difficult for small businesses, because of their characteristics and attitudes, especially as a consequence of the dominant nature of the owner-manager role (Pittaway, 2004).

Entry barriers increasing for SME's?

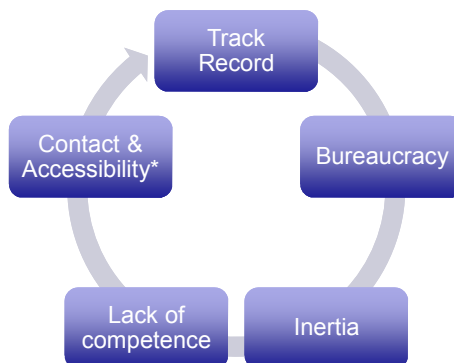


As if that wasn't enough.....7 years on, what's the difference?



What should the difference be?

- ☉ Case Law relating to Track Record Evaluation
- ☉ All contracts >EU thresholds subject to *same* process regardless of company size applying
- ☉ Public Sector Inertia....to be discussed!
- ☉ Lack of competence remains, particularly in SME understanding of tendering requirements and that *'things ain't like they used to be'*
- ☉ Process led procurement means that handshakes over breakfast are no longer the way to do business

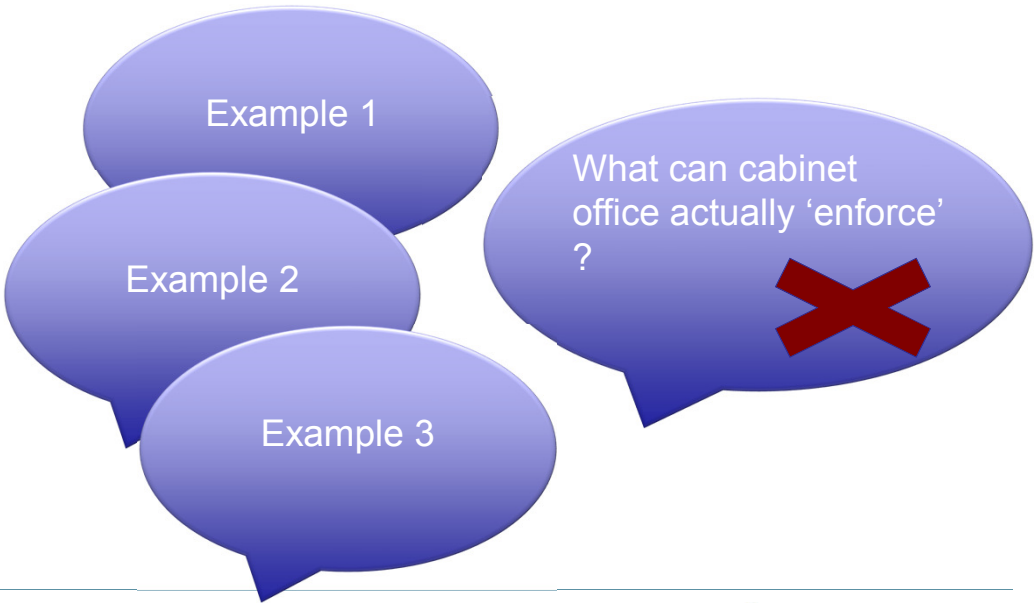


And yet.....

“The voices of SMEs are getting through to government thanks to the Mystery Shopper initiative, and problems are being dealt with. **There is always more to do, but we are on the right path to a more dynamic, transparent and innovative supplier marketplace, which will lead to better government services and better value for money for taxpayers”.**



Mystery Shopper ‘Enquiries’



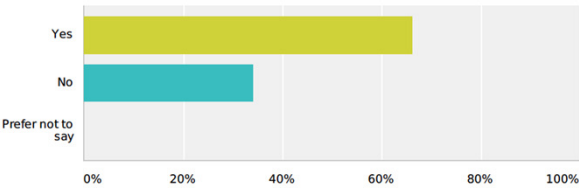
Real Life Examples... What is the marketplace doing?

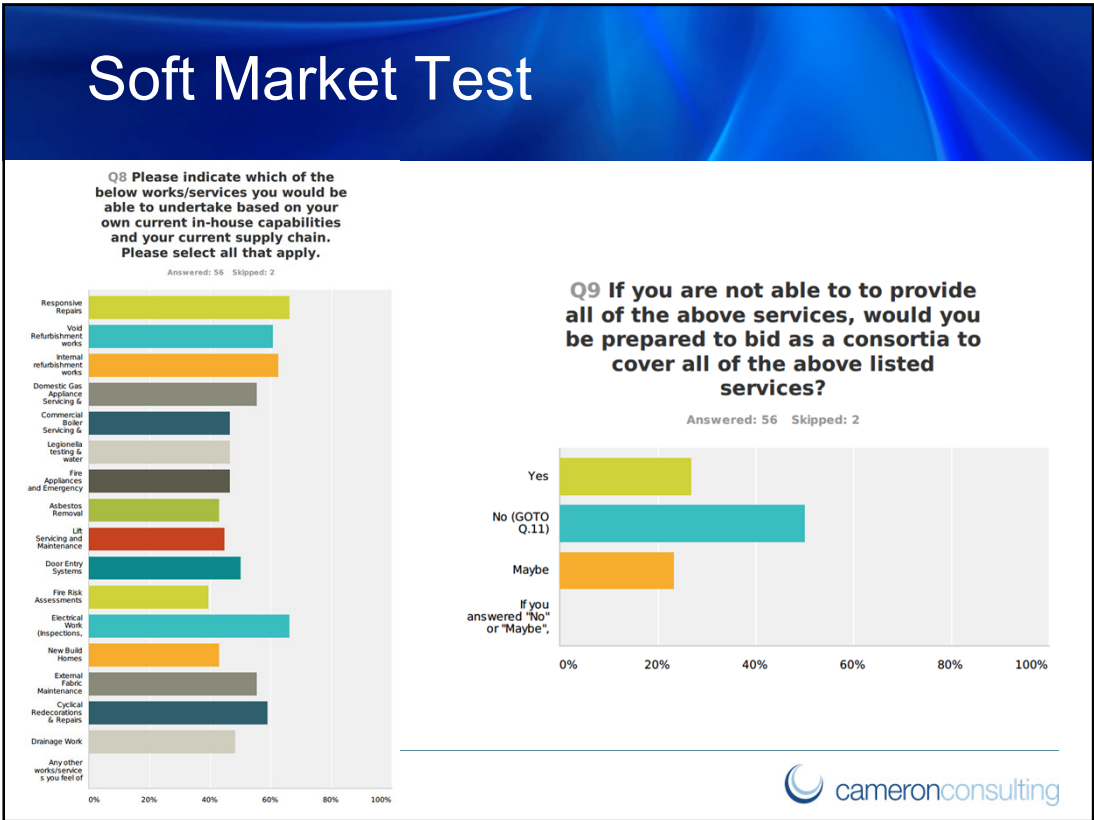
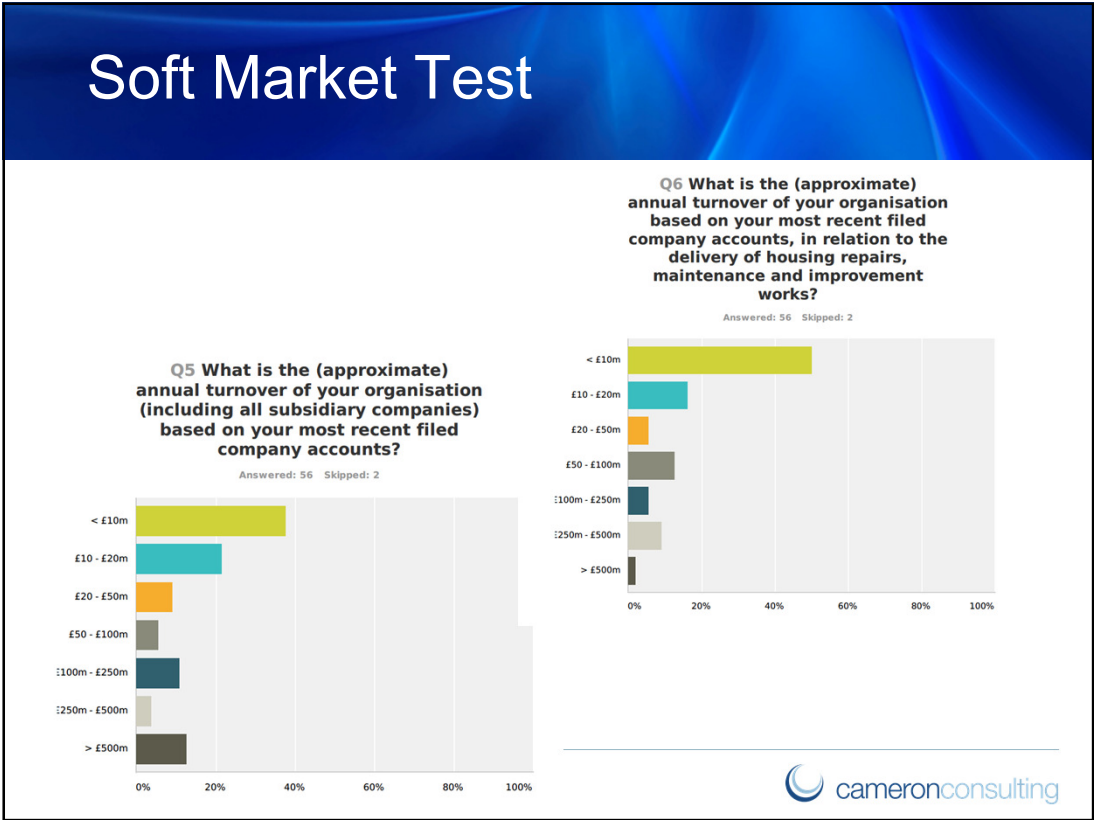
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Soft Market Test

Q3 Do you class yourself as an SME organisation? Please refer to the definition below: "The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro". (Extract of Article 2 of the Annex of Recommendation 2003/361/EC). N.B As at 05/04/12 and based on exchange rate of €1.21= £1, then €50m = £41m (approx)

Answered: 56 Skipped: 2





Do those results ring true?



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Encouraging SME Inclusion at Pre-Procurement Stage	Client	SME	Stakeholders
What is possible?			
What are the actual benefits?	Be realistic!	Be Realistic!	Be Realistic!
What does it reveal?			
What can the key challenges be	Manage Expectations in line with strategy	Manage Expectations in line with Company Capacity	Manage Expectations in line with the actual service requirements!
How do you overcome them.....			

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Catalyst Housing – Strategic Alliance to benefit all

Pre-Procurement

- ☾ Lots of stakeholder engagement to ascertain
 - *What works well*
 - *What doesn't work so well*
 - *Ideals for a 'new' service*
- ☾ Soft Market Test & Resident Conferences to explore 'what the market could deliver'
- ☾ Contracts were split into 'areas'
- ☾ True capital spend was analysed *before* going to tender to ensure financial limits were set appropriately
- ☾ Focus on 'getting the job done' over 'corporate gloss'




Catalyst Housing – Strategic Alliance to benefit all

Post Contract Award


- ☾ Development of Local Supply Chain
- ☾ Working with the Gateway team to develop 'value added' but *with full support!*
 - *Apprenticeships*
 - *P2P*
 - *Return to work*
 - *Local Initiatives*
- ☾ Regular 'handholding' meetings to ensure contracts being adhered to & pricing matrices'; KPI's etc being met
- ☾ Significant client project management




A balancing act?



- Directly employed labour
- Strong Owner Interest
- Direct points of communication
- Specialist Skills within SMEs



- Capacity
- Capability
- Strong project management can be required
- 'Hand to Mouth'
- IT Implementation
- Disaster Recovery?
- Tendering cost can be prohibitive



Stumbling Blocks

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Processes; Protocols & People!

SME's thrive where a broader value-for-money decision factor is required and where shorter and smaller-scale contracts are available through open competition. Is it possible that Government 'publicity' is making SMEs *'run before they can walk'*?


'Prompt Payment Schedules.....'

'Capacity'

'Purchasing Power'

'Decision Makers.....'

'Organisation Strategy?'



What can we do to help?

Don't ask for irrelevant information?

Use of Open Tendering – cutting out 1 stage will reduce bid costs (on both sides)

Set appropriate criteria to the nature of work being procured

Apply logic

Think Innovatively

Adhere to internal standards

Keep up to date with procurement standards & case law!

Simplify PQQs?

Undertake full pre-procurement activity to understand what the market can deliver

Be honest!



Barriers to SME inclusion.....



Progress?

Sir Francis Maude

- ☉ **New commitments from large private sector players.**
- ☉ **A new approach to IT contracts.**
- ☉ **Prompter payment for SMEs.** This will include rolling out Project Bank Accounts, which are already being used successfully in the construction sector, to sectors such as defence and facilities management.
- ☉ **Greater transparency.** The first department to be rated by SMEs will, appropriately, be the Cabinet Office in May.
- ☉ **Extending the investigative Mystery Shopper service.** Following the success of the Mystery Shopper service - where SMEs can complain about procurements and trigger an investigation - the Cabinet Office will now investigate complaints from sub-contractors about unfair practices in the supply chain of government contracts.
- ☉ **Better dialogue between government and smaller businesses.** New online tool will help government buyers to engage earlier with SMEs. ***It will allow buyers to put informal postings online about what they need to buy in future and SMEs will be able to respond and explain what they can offer.***



Will 'Social Value Act' impact SME inclusion

The Public Contracts (Social Value) Act 2012 places an obligation on Contracting Authorities to give consideration to the potential social benefits that can be delivered from every service contract other than those called off under framework agreements. This process must take place before inviting offers, and should involve customers where appropriate.



Social Value Act



Final Thoughts

Questions

