



Evaluating SME experiences of Government procurement – Part One

About this research

Earlier this year the CBI joined forces with the Federation of Small Businesses (FSB) in an exercise initiated and directed by the British Private Equity and Venture Capital Association (BVCA).

This initiative established a Scorecard Working Party (SWP), whose remit is to:

- consider ways in which an increased proportion of public procurement could be directed towards small to medium-sized enterprises (SMEs)
- develop proposals to assist SMEs in providing a greater proportion of public goods and services
- encourage the growth of small, innovative companies through public procurement mechanisms

The Government aims to deliver the world-class public services that the British public demands and it sees procurement as a key route through which to deliver reform.

It is recognised that in the delivery of goods and services to public sector organisations SMEs can offer:

- better value for money – increased competition among suppliers pushes down procurement costs and SMEs' lower overheads can also result in lower prices
- better quality of service – shorter management chains and a focus on specific markets and customers can mean greater flexibility and a more tailored, personal level of service
- innovation – SMEs can sometimes respond more quickly to changes in technology and/or develop new products to differentiate themselves from bigger market players

Most parties agree, however, that there is some distance to travel before these benefits are fully realised.

The SWP seeks to identify how SMEs can win a greater proportion of public procurement contracts. Previous research has shown that some SMEs perceive the barriers to tendering for public procurement contracts often to be considerable. However, the benefits that SMEs can offer in terms of enhancing Government efficiency and both public and private sector productivity means that action should be taken to surmount these barriers. As such, where much research has tended to focus upon the nature of public procurement in general, the SWP seeks to identify how, specifically, SMEs can be supported in the public procurement process. The focus of this research is on England, but relevant examples from other areas in the UK, as well as outside the UK, are drawn upon.

Key findings

The research provided fresh insight into the SME experience of the procurement process, and demonstrates that:

- nearly three quarters of SMEs rarely or never bid for Government work
- over three quarters of SMEs believe that there are barriers to awareness of Government opportunities
- over half of SMEs feel that the process of tendering for Government contracts requires more time and resource than their business can allow
- over half of SMEs expect the proportion of their revenue coming from the private sector to increase in the next two years – but only one in five SMEs expect their revenue from the public sector to increase within the same time period
- on average, SMEs find the private sector easier to sell to than the public sector – their rate of success in winning private sector contracts is double their rate of success in winning public sector contracts
- nearly three quarters of SMEs feel that the public sector is more difficult to deliver work to than the private sector, due to a greater amount of formality, a lack of responsiveness and unrealistic timescales

Guidelines for SMEs

The research can be used to galvanise action, and a number of key recommendations for SMEs emerged. These are practical steps that SMEs can take in order to increase their chances of winning Government contracts.

Become aware of appropriate opportunities

SMEs need to make sure they are investing time in identifying useful opportunity gateways. They also need to ensure they are being selective about those opportunities that they are investing time and resource into bidding for.

Get prepared before you bid

The burden on SMEs of time and resource necessary to make regular bids for Government contracts means that SMEs need to clue up on the requirements of Government tenders, and have material prepared that can be used to answer questions common to all public sector tenders.

Engage with target clients

Suppliers that have shown interest and built strong relationships with Government agencies are those that stand a stronger chance of being considered come bid time.

Identify and use support schemes

SMEs should explore the use of national, regional, or local government or independent support schemes that can offer advice, training or other support to SMEs looking to bid for public sector work.

Meet the client's needs

The rigours of the public procurement process demand that suppliers are incredibly diligent at meeting all the requirements of the procurer. Suppliers should ensure that they can meet all criteria and accurately reflect this in their proposal.

Combine expertise with innovation

SMEs are recognised as being able to provide innovative solutions and value for money – two outcomes that Government promotes within the procurement process. However, to ensure that an innovative solution is not perceived as a risky one, SMEs need to promote themselves as not only innovative but also experts in their field.

Act as a subcontractor

Generating revenue through the public sector need not mean working directly for Government agencies. Increasingly, Government bodies are hiring large firms that contract out work to smaller suppliers, and so SMEs should be aware that acting as a subcontractor to larger private sector organisations with public sector funding may be a faster ticket to public sector revenue.

Deliver a high-quality service to increase the likelihood of contract renewal

Once the contract is won, SMEs looking to stay in favour and be considered for the next contract period must invest in meeting, if not surpassing, the service delivery requirements of their client.

Recommendations for Government

The research also highlighted ways in which Government could make the public procurement process one that allows SMEs an equal opportunity.

The following recommendations for Government have been identified:

Improve SME access to information on public procurement opportunities

Whilst considerable progress has been made, it is imperative to develop a single point of reference for SMEs to find information about bidding opportunities available to them.

Simplify and clarify the bidding process

Existing portals are known to confuse some applicants. The Government needs to move towards simplifying the procurement process from start to finish, in terms of both the administrative burden and the use of accessible language.

Reduce bureaucracy (compliance demands)

Efforts to reduce the bureaucracy for SMEs should impact both the time spent in amalgamating information required in bids and the level of contractual compliance required by procurers, which is often prohibitive for small companies.

Make the process more transparent

Some SMEs still perceive some procurement bias, particularly towards lower-cost options. Procurement needs to continue to become more transparent, selecting on the basis of value for money.

Provide appropriate support schemes for SMEs

Guidance documents and 'Meet the Buyer' events can be extremely valuable for SMEs in improving their chances of winning a contract.

Introduce innovative measures such as performance bonds and contract banding to combat the perceived risk associated with SMEs

Any reduction of the risks associated with contracting with SMEs would likely result in an increase in procurement from these companies.

Provide constructive and clear feedback on lost bids

Some public sector organisations are still not providing timely and appropriate feedback to SMEs, which makes improving their future chances of winning bids more difficult.

Support the expertise of procurement professionals

The greater the skills and experience that procurement professionals can apply to their job, the more likely the process is to be transparent and appropriate.

Make delivery terms and conditions more adaptable to the needs of the SME supplier

SMEs are often less able to cope with prolonged periods of financial insecurity; simply paying invoices in a timely manner and speeding up the contractual process would benefit smaller companies.

Our approach

The research project comprised a four-stage methodology:

Stage 1: Desk research

Secondary data gathering and analysis comprised the initial stage of the process. This period of desk research also drew upon UK and international case studies and research to build an evidence-based argument of the advantages to SMEs and Government of increasing public procurement from SMEs.

Stage 2: Online survey

The second stage of our research saw an extensive survey of directors and CEOs of UK SMEs. In seeking to identify the most practicable ways of enhancing SME-based Government procurement, the SWP looks to repeat this study each year. This will enable strategic interventions to be fine-tuned and their results evaluated over time.

As such, particular attention was paid to designing a methodology that could be replicated annually. This was particularly important at the online survey stage.

Recruitment of respondents for this comprehensive survey of SMEs was achieved by targeting appropriate members of the FSB, CBI and BVCA.

A research consultancy, FreshMinds, also reached SMEs through the following channels:

- UK Business Forum
- UK Small Business Forum
- Supplier Diversity Europe
- Prowess (women in enterprise organisation)

In each case, the CEOs (or equivalent/similar) were targeted. Respondents were asked about the following issues:

- Barriers to SME awareness of public procurement opportunities
- Awareness of public procurement opportunities: sources used
- SME activity in the public sector (frequency of bidding for Government work; percentage of turnover from public sector, etc)

A short period of desk research focused on:

- Understanding how much money is currently spent by the Government on goods and services provided by SMEs
- Building an evidence-based argument of the advantages to SMEs and to the Government of increasing procurement from SMEs
- Finding case studies of relevant examples
- Provision of feedback on bids, and usefulness of that feedback
- The use of support schemes/initiatives
- Predictions for future activity with the public sector
- Profile information – sector; region(s) of business activity; turnover/number of employees; whether the respondent was invited to respond by the CBI/FSB/BVCA

Survey question topics included:

- Barriers to SME awareness of public procurement opportunities
- Awareness of public procurement opportunities
- SME activity in the public sector (frequency of bidding for Government work; percentage of turnover from the public sector)
- SME perceptions of the drivers behind success/failure in bidding for Government contracts

In-depth, semi-structured interviews were used to investigate relevant case studies and to develop a deeper understanding of the barriers to procurement from SMEs. They were also used to test potential practical strategies.

FreshMinds recommendations for Government and SMEs were based on a segmented analysis of the barriers to and impact of public procurement on SMEs (primarily by region and business size).

Stage 3: In-depth phone interviews

The third, in-depth interview stage was an opportunity to develop our understanding of the practical barriers to SMEs involved in the public procurement process.

FreshMinds spoke with eight SMEs to understand their experiences of the public procurement process. The consultancy spoke to those SMEs that felt able to comment both on the barriers they have faced in bidding for public sector work, and on the actions they have taken for success. It is the approaches taken to overcome these barriers, and additional actions for success, that this research hopes to highlight as opportunities for SMEs looking to increase their involvement with the public sector.

Stage 4: Analysis and reporting

Finally, analysis of the results of the online survey and evidence from the consultancy's initial desk research and case studies enabled us to develop a series of recommendations for Government and guidelines for SMEs.

Guidelines for SMEs on the public procurement process

The following guidelines have been developed to help SMEs in bidding for Government contracts. The guidelines are informed by an online survey of 585 SMEs in England, as well as in-depth interviews. They aim to help address the barriers SMEs currently face in bidding for public sector work, through the provision of useful information and the recommendation of actions that have resulted in success for SMEs.

Be aware of appropriate opportunities

Of the SMEs surveyed, 75.4% think that awareness of the opportunities available to them is a barrier to their winning work from the public sector, and 76.2% think that lack of knowledge of where to look is a big problem. This section offers some useful information sources but it is also a matter of finding out where to look for your specific industry. This section also discusses choosing between opportunities once they have been identified.

Finding opportunities

There are a variety of methods for finding opportunities through both the public and private sectors. These are described below.

OJEU – TED

The Official Journal of the European Union (OJEU) publishes all contracts which are valued above the threshold, including those which are entirely UK-based. Tenders Electronic Daily – www.ted.europa.eu – is the website on which such contracts are advertised. This website publishes all opportunities by day of release.

Supply2.gov.uk

Supply2.gov.uk is a Government-backed website which advertises lower-value (typically under £100,000) contracts. All public bodies have been encouraged to advertise their contracts on Supply2.gov.uk. Currently, fewer than a third of SMEs are utilising Supply2.gov.uk, but given that it is the official portal for lower-value Government contracts it is a good place for SMEs to start looking.

Public sector websites

Although the Government has encouraged all public sector agencies to advertise their contracts on Supply2.gov.uk, not all do. Therefore it might be worth looking at the websites of individual public sector organisations.

You could also target local authorities in your geographical area or central departments or agencies which could have use for your services. For example, consultancy SME Rocket Science only looks at agencies likely to require consultancy in the types of areas it provides (public policy).

Government Opportunities

Government Opportunities (GO) magazine is a publication focused on the public procurement industry. It is aimed at procurers and suppliers alike. In addition to news on public procurement, information for businesses and procurement events, *GO* provides a contract update system called 'ContraX'. ContraX publishes 145% more public sector contract opportunities than the Office Journal of the European Union and also provides an alert service whereby you are notified of new public sector agencies' websites.

Getting onto framework agreements

Although it may be time-consuming initially, getting onto a framework agreement should, in theory, notify you of many relevant opportunities for two or three years. However, although SMEs are fairly represented on framework agreements, it is not necessarily true that they are when it comes to actually winning contracts. Jonathan Hirsch of Hirschworks (SME, technology consultancy) warns that some agencies 'just go through the motions' and that maintaining an agreement's standards can end up costing a business money.

Select opportunities carefully

Being selective about the opportunities you bid for can save valuable resources, and learning how to select the right opportunities was identified as the third most successful tactic by our survey. There are a number of ways of selecting these, some of which are described below.

Transparent contracts

A number of SMEs recommend only bidding for contracts where they feel the whole process is transparent. For example, Diversity Action (SME, consultancy on diversity and equality issues) does not bid for contracts when the incumbent supplier is also bidding.

Similarly, other SME owners have told us: *"We now do not bid for contracts where we feel that other larger or better known companies are in the frame. This leaves time to concentrate on other opportunities where we feel we may have a chance."*

Size of contracts

Jane Grant, procurement expert, recommends that SMEs *"go for a smaller contract first to establish a foot hold."* It may help SMEs to get experience and reassure procurement officers if they carry out smaller contracts first. The requirements for smaller contracts may also be easier to meet.

One SME said it prefers to *"focus our energy on those (usually smaller) projects that have either no, or much lower, tendering requirements."*

Using PQQs to assess your capability

Although this does require extra resource, as Hirschworks points out, a Pre-Qualification Questionnaire (PQQ) can be used to see whether your business has the capability of fulfilling the brief. If, from looking at the demands of the PQQ, you do not think you are suitable, you need not complete a bid. However caution must be taken; they are only useful if PQQs are 'really well crafted by the commissioner'.

According to Hirschworks: *"I think we have got better at pre-qualifying opportunities, though in many cases this means declining, not because the project is not right, but because we know that bidding will be too much hassle."*

Get prepared before you bid

The onerous bidding process is a major barrier to bidding for public sector contracts, with over half of SME respondents to the FreshMinds eSurvey saying that the process requires too much time, effort and cost. In order to make this process less time-consuming, SMEs need to prepare themselves for the procurement process. The top method of becoming successful identified by the most adept SMEs is altering the company approach to bidding techniques.

Understand how the procurement process works

Procurement expert Jane Grant highlights how lack of understanding of the procurement process can undermine the quality of bids: *"Poor bids show a lack of understanding of the procurement process."* As such, it is recommended that you invest in putting together a dedicated team with the right skills and time available to understand how the process works. This will enable you – as far as resources allow – to maximise your chances of being successful.

“Create a bid process within the organisation drawing together a team with the right skills to put together an excellent response. This has been successful in managing the response timeline, ensuring we get a good bid out of the door with the minimum disruption.” – FreshMinds SME survey respondent

Understand public sector culture

Cathy Maclean, a freelance IT consultant believes that understanding the culture of the public sector is also a must. For example, expect that the process might be ‘painful’ and not altogether transparent. Although in many cases a better outcome for both procurer and supplier might be found through open discussion, Ms Maclean believes that it is the public sector way to protect itself by making the processes opaque so as to ‘cover its back’.

Build a tender toolkit

To save time and resources, develop a tender toolkit from which you can lift and amend sections of text as necessary. Although no two tenders are the same and there is no standard format used by central or local Government organisations, many ask for the same information.

As Kevin Rogers of Message Pad (SME, contact management provider suggests, one can save time by having ‘paragraphs you can drop in and tweak’. However, Mr Rogers suggests that there is no point spending hours *“preparing (the information) because when you get to it, the question will be slightly different and you’ll have to rewrite it anyway.”*

Use a specialist bid writer

Specialist bid writers understand the procurement process and what it takes to make a successful bid.

For SMEs which have the resources to use a specialist bid writer, Laurence Martin of Black Swan Training suggests the following are advantages:

- they understand the language of tenders
- they know what to say about the various requirements
- they know what makes a successful bid

Black Swan Training suggest that, given that you do not necessarily get feedback on unsuccessful bids, you could *“be making the same mistake each time and wondering why [you] never win a contract.”*

Using someone with specialist experience combats this potential problem.

Push for constructive feedback

Although feedback can be patchy, you have a right to it, so make sure you get as much as you can to improve subsequent bids. Learning from unsuccessful bids is vital and SMEs should seek to implement processes which support this learning experience, as done by one of our survey respondents:

“We have trained staff to prepare bids, we have ensured that we have put in place all specified processes. We have polished presentations to provide maximum information, education and be entertaining.” – FreshMinds SME survey respondent

Get the appropriate requirements

Some public bodies demand certain quality (such as ISO or ITIL) or liability requirements. Where it is necessary and feasible, invest in these automatic, minimum requirements.

A specialist bid manager will be able to advise:

“I have invested in £2m professional liability insurance and have developed the whole raft of statements/policies that public bodies automatically demand – successful in itself. I rely almost entirely on my track record to sell work, but often this is deemed secondary to turnover.”

Engage with target clients

Our survey and research through speaking to experts show that SMEs which are more adept at winning Government contracts are much more likely to build relationships with public sector clients. Therefore SMEs should seek to actively develop relationships with targeted public organisations/offices through the use of mailshots, networking events, phone and email campaigns. SMEs should ensure that old clients are contacted on a regular basis to encourage repurchasing and/or referral.

On a broader level, SMEs should be marketing their offering to the public sector as a whole through websites, e-newsletters and digestible mailshots and so on.

Build strong personal relationships

Personal relationships with public bodies were deemed by our survey respondents to be critical to success and 19% of respondents emphasised that they had taken steps to build and strengthen key relationships. Indeed, this is the second most popular step taken to win more contracts.

Jane Grant, procurement expert, suggests that some SMEs are very good at developing business relationships. As such, she says that one of the best things about working with SMEs is ‘feeling like a partner’.

However, fellow procurement expert John Stewart believes that SMEs have to work harder to build initial relationships with clients: *“I just think SMEs aren’t really in people’s consciousness.”* – FreshMinds interview with John Stewart, procurement expert, August 2008

SMEs have to work extra hard to engage in a personal relationship with the potential client.

Hirschworks has found some organisations to be easier to work with than others. For example, it enjoyed a positive relationship with the Central Office for Information (COI), the former Department for Education and Skills and Skillset. According to company owner Jonathan Hirsch, the common link across all of these organisations is that Hirschworks spent years ‘cultivating relationships’ with people within each one. The advantage that this brings is that, although the firm is involved at every stage in the competitive tender process, it has a clearer understanding of the procuring body: *“One still has to complete the competitive tender but one will have a better understanding of what the commissioner is likely to want and, all importantly, one will be invited to tender for appropriate contracts.”*

For Jonathan, it is a matter of taking private sector approaches to relationship development, and realising that the same approach matters in bidding for public sector work (although it may not seem to): *“Having personal relationships is standard practice in business and that it how it has always worked, but SMEs must remember to apply this to the public sector.”*

Develop an effective marketing campaign

Approaching public sector organisations before they actively create opportunities with tenders can be a good way to get on their radar and make them aware of the sort of thing you offer. This will also mean that your business name is in their minds when they tender contracts.

A variety of methods were suggested by SMEs we spoke to, from direct mailing to displays at shows:

“We only direct-mail universities and get orders from them.” – FreshMinds SME survey respondent

“Mailshots followed by phone calls, displays at shows, recommendations.” – FreshMinds SME survey respondent

“We have carried out more upstream marketing with key public sector agencies to raise our profile so that we are not an unknown business when we submit a proposal.”

If an organisation is aware of your business it is much more likely that they themselves will invite you to tender for opportunities which are specifically relevant to you. Furthermore, if you do decide to tender, your business name will be more familiar with procurement officers.

Know who to target

Marketing campaigns and effective relationship building with organisations as a whole are important ways of building your profile as an SME. However, it is also important to know who specifically to target at each organisation. Procurement expert John Stewart suggests trying to speak to the person procuring the service, although this is not always easy.

Some procurers believe such conversations would breach competition laws but it is always worth a try, since: *“You can correlate success with having a conversation before, with the procurer.”* – FreshMinds SME survey respondent.

It may seem quite obvious that a conversation with a person will yield more information than the tender document but it is important not to underestimate how much this is the case. It also has the advantage that the agency will have already heard of you when they receive your bid.

John Stewart, procurement expert, also suggests that certain types of public procurement bodies might be more open to bids from SMEs and

could thus be targeted as a priority: *“My impression is that local authorities are more likely to award contracts to SMEs than most central Government bodies. That may be partly a reflection of local Government bodies and authorities facing the local economy and I’m sure much of the contracting is done on a local basis.”*

Government survey findings confirm this hypothesis – SMEs have a much larger share of local authority procurement than they do of central Government procurement contracts.

Message Pad’s experience of knowing who to target in a public sector organisation shows that forming relationships with the procuring officers is *“excellent, if you can do it without breaking the rules.”* However, depending on how the individual interprets the competition rules, this is not always possible. Importantly, it is not necessarily the procuring officer you need the relationship to be with: *“For example, if you are selling rifle bullets into the army... it is all very well forming a relationship with the bureaucrat but if... you don’t convince the soldier that your bullets are better than the other person’s, he won’t favour you.”*

Rogers of MessagePad points out that very often *“the service lead, the departmental user, is kept away and it is procurement who will deal with the supplier.”* Although sometimes difficult to do, you need to appeal to both the procurer and the end user.

Using support schemes

SMEs should make sure they avail of the support provided through Government initiatives such as Supply2Cov, run by by Coventry City Council’s Procurement Services Department, with the aim of redirecting some of the Council’s expenditure to local businesses, or other (often publicly funded) organisations such as Health Launchpad. Current use of support schemes is low (only a quarter of SMEs have ever used one), and of those who have, only half think the schemes have been of help to them. Thus pressure is being put on the Government to improve this, but those that are available can still be of great use to SMEs provided they use them wisely.

One SME describes their positive experience of a support scheme which, for them, made the whole process more comprehensible: *“The procurement process was laid out clearly, along with sources of information about tenders.”* – FreshMinds SME survey respondent

The type of support available varies in terms of level and focus but can broadly be summarised into the following categories:

Procurement process training

Some training focuses on raising understanding of how the process actually works. For example, Business Link has teamed up with learndirect to produce an electronic training package entitled ‘Winning the contract’.

Local training courses are also available in many areas and these are run by a variety of organisations, including, for example, one identified by a FreshMinds survey respondent: *“We have taken advice through a local initiative called ‘Fit to Compete’ and that has given us considerable insight into the way the system works.”*

Bid-writing courses

Bid-writing is the main aspect of the procurement process which SMEs find the most difficult. However there are organisations like BiP Solutions’ Procurement Advice and Support Service offer training specifically on how to how to complete tenders. This can be helpful to SMEs which do not have experience in this area and/or do not feel in a position to hire a specialist bid writer.

Meet the Buyer and networking events

Networking and a Meet the Buyer event are useful ways in which SMEs can form and develop those all important personal relationships: *“This was a training session aimed at a public sector Meet the Buyer event that gave me greater insight into the best forms of approach at the individual interviews.”* – FreshMinds SME survey respondent

Another example of Meet the Buyer events was organised by Coventry City Council, in association with their Supply2Cov programme. In the first six months of the Supply2Cov project, they focused on working with local businesses and engaged them with a number of different types of events.

- Some of these events were just about providing businesses with information.
- More in-depth workshops were also held showing local business how to participate in the procurement process.
- These sessions culminated in a large-scale Meet the Buyer event.

This event was broader than just Coventry City Council. Eight of the council’s procurement officers were there but other public sector buyers were also present. These included Coventry University, Coventry Sports Trust, other councils and the Ministry of Defence. In total there were 80 local businesses and 20 buyers. The team plan to continue to conduct these events.

However, the SMEs we interviewed did not always find public sector events successful. For example, Message Pad suggests advertising to local authority buyers at trade events, which tend to attract a more specific audience: *“For example, my area is call centres and communications – if I get a local authority buyer who comes to the call centre exhibition each year in Birmingham in September, then obviously they really understand the market and so I get the interest.”*

In this instance, you can be assured that you are selling to people who understand your product/service’s place in the market.

Financial support

Winning public procurement contracts can sometimes seem like an upward struggle for inexperienced SMEs or those firms which lack the time and resources to dedicate to the process. However, there may be financial support available for your business.

For example, funding is available for start-ups through Health Launchpad, and the Small Business Research Initiative (SBRI) is a dedicated scheme designed to increase cross-Government department R&D spend with technology SMEs and provide feasibility funding. These funding streams may not be available for many SMEs but should be seriously looked into by innovative SMEs and/or start-ups.

Meet the client’s needs

SMEs need to look carefully at the market they are operating within and have a strong understanding of where they lie against the competition.

They need to have a clear message around the Unique Selling Point (USP) of their offer. Procurement teams will need to know that the SME they contract to officers an expert service, and can offer the reassurance of a low-risk, innovative and cost-effective solution. In the long run, SMEs need to position themselves as experts who can consult with public sector organisations and procurement teams on the best options available to them.

Procurement expert John Stewart believes that *“SMEs are often better for [value for money] VfM and innovation as well.”* This view is supported by Jane Grant, fellow procurement expert, who maintains that *“SMEs are stronger on the intellectual high ground stuff – small but high-value work.”*

The need for innovation in the public sector is set within limited budgets and increasing demand for health and welfare services: *“I do think the more capable public procurer is looking for better value for money, often set against things like social care, welfare, health care, inexorably growing demands, not growing budgets – so how can we square the circle if we have to be more innovative in the way we do things.”* – FreshMinds SME survey respondent

Identify and exploit your USP

To build your name and reputation among public procurers, define your unique offering in the market. As one SME e-survey respondent said: *“Getting ‘niche’ is the only sure way of being successful.”* – FreshMinds SME survey respondent

Another commented similarly: *“We are prepared to be very flexible and provide the service required. It appears, from talking to the individuals, that no one else would provide the range of services.”* – FreshMinds SME survey respondent

Rocket Science suggests that one way to do this is using the feedback on won contacts to help you identify what your positive aspects are. Knowing what public authorities perceive your USP to be in relation to your competition will allow you to promote your best assets in future contracts.

Provide innovative services

Hugh Morgan-Williams of Canford highlights the need for delivering innovative solutions. Canford has had much success in winning public sector contracts because its innovative solutions have offered contracting organisations more streamlined, cost-effective solutions. The example of Canford also highlights that you need to continue to innovate in order that your offerings will carry on answering the brief in a cleverer and more creative way than your competition.

In the case of Canford, many of the products and services are technology-based but an innovative solution is not necessarily a technological one. This view is confirmed by John Stewart who makes the point that innovation should not be thought of as restricted to technology alone – other products, processes and services can be creative. Therefore, all SMEs have a chance to offer something inventive, which gives procurers a new way of looking at things.

Be an expert in your industry

SMEs can have an advantage over larger business if their small size allows them to provide a very niche service such that they are the expert in the field.

For example, Diversity Action, a two-person consultancy, is successful in winning public contracts because it is 'very expert at what [it] does', according to Linda Harper, Principal Consultant, FreshMinds SME survey respondent.

Many of Diversity Action's clients are NHS organisations and it is a requirement of such organisations that they have a 'Single Equality Scheme 2007–2010, Department of Health' (a public explanation of how an organisation will meet the legal equality requirements). However, Trusts are experiencing 'a lot of confusion' according to a FreshMinds interview with Linda Harper, Principal Consultant, Diversity Action, July 2008, around what is required of them with regard to this. Diversity Action as a business has capitalised on this lack of knowledge by distinguishing itself with its full understanding of the issues. As a result of this, the company has been identified by NHS employers as an example of good practice.

Collaborate with other SMEs to win work

Public procurement teams may be averse to using an SME on its own, but will consider using a consortium of SMEs willing to work together to minimise risk and deliver the same cost benefits as a larger supplier. SMEs should be working together to create an offer that is competitive and attractive to public agencies.

In the long term, SMEs should also be working together to promote the SME offering to the public sector. Collaboration among SMEs can help to overcome the frequent barrier of not being perceived to be a large enough outfit to take on major public contracts.

Broaden your skillset

One respondent describes the benefits they have experienced of working in collaboration: "Applying as a network of consultants – we believe this gives us a better range of skills and support if someone is ill at any point."

Broadening the skills that you can offer by working in collaboration can help you to compete on a more equal footing with larger businesses, which often will have this capacity in-built: "As I am a sole trader, I find that I am putting bids together with other sole traders as a consortium to compete with larger organisations and give us a better chance of winning public sector work." – FreshMinds SME survey respondent

In addition to increasing capacity, collaboration can also provide higher quality. Where SMEs each have their own niche areas, a consortium of small/medium sized enterprises can offer a higher quality service overall as each brings to the table their expertise in a particular area.

Combat risk-averseness and build confidence

Another positive effect of collaborating with SMEs is that a larger-sized consortium can reassure potential procurers that the risk they take on is minimal. However Kevin Rogers of Message Pad notes that procurers look for evidence of the collaborating organisations working together before so that they can have greater confidence that the relationship will be managed smoothly (typically by a lead contractor) and deliver results. Mr Rogers also advises against special purpose vehicles (SPVs) which he

suggests are not popular among procurers unless formed between solid blue-chip firms.

One example of the potential opportunities from collaboration among SMEs is the Irish Central Border Area Network (ICBAN) The programme was supported by local authorities (Northern Ireland and the Republic) and, in addition to helping companies come to grips with public sector procurement, it actively encouraged and supported collaboration between businesses. Thus it was able to: "Create some remarkable results in terms of developing associate and cross border links, developing staff and actually winning public sector tenders." – Carol Follis, Project Officer, ICBAN, Project Press Release, May 2008

The fact that this is a public sector initiative meant that contracting authorities put a lot of faith in the resultant collaborations even if some of the consortia were special purpose vehicles. Therefore, it is recommended that networking through public organisations is a good way to form lower-risk collaborations.

Act as a subcontractor

Approximately 50% of work contracted to SMEs comes through subcontracts (FreshMinds interview with John Stewart, August 2008), therefore SMEs need to make themselves aware of opportunities for public sector contracts coming through large private subcontracting organisations.

Subcontracting can work to the advantage of SMEs and procurers since it is the large Prime Contractor which takes on the risk while giving SMEs access to opportunities that they may not otherwise have. In addition, SMEs that can demonstrate success in winning subcontracted work place themselves in a stronger position to be considered directly for work by Government.

As subcontractors, John Stewart believes that SMEs can offer a responsive, friendly and good value-for-money service, especially if they have a good relationship with the main contractor. Unfortunately, Jane Grant, fellow procurement expert, identifies a potential barrier to SMEs being a subcontractor: "There is a fashion for offering large contracts to Prime Contractors for things like facilities which wrap up services SMEs are particularly good at delivering on a local level." However, SMEs can try to tap into this by approaching the Prime Contractor.

In the UK the Department for Work and Pensions is actively encouraging networking between suppliers and assisting smaller providers in working for larger ones.

Where to find out about subcontracting opportunities

Jonathan Hirsch from Hirschworks suggests approaching Prime Contractors for potential opportunities: "I am increasingly coming to the view that if you are a small SME and you want to work with big public sector departments it is probably not worth approaching them directly. You should find out who their suppliers are and approach them."

Rocket Science has some experience of working for the Government via private sector organisations. The business finds out which private sector organisations have won large Government contracts. For example, through their business development manager they established a relationship with Skanska, which they knew had won public funding before.

Benefits of being a subcontractor

There are benefits for subcontracting work for SMEs, large Prime Contractors and commissioners alike. In his experience with Hirschworks, Jonathan Hirsch finds that subcontracting works quite well: "I've worked with larger agencies that have won the business from the client, then I have been brought in as a consultant. Again that tends to work quite well as the agency is taking the risk and I'm effectively a contracted employee. I've worked in this way both as a backroom boy and client-facing, out there doing the meetings. I think that is probably a better way of working for these bigger agencies. They get the comfort of working with the bigger companies but at the same time they are getting the expertise and creativity that you get from smaller companies. It tends to work quite well."

Message Pad also sees becoming a subcontractor as a possible way to get access to the public purse – although, in their experience, reputation, information and experience may not be shared across divisions of very large companies.

Deliver to win the contract again

SMEs should be able to offer a standard of customer service that competes with or even exceeds that of larger companies. This means demonstrating a commitment to high-quality service delivery, to client-tailored, effective communication, and ongoing service support where necessary. The demonstration of such abilities make the Government much more disposed to work with smaller businesses.

“SMEs offer great care and attention on the ground, because the Government is often a big customer for them – they therefore offer excellent customer service.” – FreshMinds interview with Jane Grant, August 2008

In addition to SMEs demonstrating how they will provide this at the bidding stage and actually providing in order to increase the likelihood of contract renewal, SMEs should look to gain as many positive references as possible that provide evidence for the quality of customer service delivered for future clients.

Provide a high-quality service

Results of our survey indicate that the most adept SMEs (those who win more than 80% of bids) are offering high-quality products or services (64%, as opposed to 46% overall) and have a strong relationship with public bodies (48%, as opposed to 34% in the overall sample).

Government organisations are seeking better value for money, and providing high-quality service is one way of providing them with this. Message Pad’s experience has taught them that, with perseverance, providing high-quality service pays off.

Message Pad pitched for the same piece of work twice from a consortium of local authorities in the North of England. They got down to the last two but in the end the consortium went for the other tenderer – the incumbent. It seemed that they chose the incumbent because it would require less involvement on their part, since Message Pad wanted to analyse fully their current situation and needs. However, the level of service provided by the other organisation was very poor and consequently, the next time, Message Pad submitted the same tender and won the contract immediately. The consortium of councils was very satisfied because Message Pad’s level of service was far superior and more sophisticated.

Offer competitive pricing

SMEs often run with smaller overheads than larger firms and can therefore offer their services at competitive rates. The key to successful bids is often: *“To be more cost-effective but still maintain a high service level.”* FreshMinds SME survey respondent. *“We focus on local delivery to local public bodies. We offer the most cost-effective yet guaranteed quality offering that provides 80% saving on cost yet with higher delivery standards.”* – FreshMinds SME survey respondent

Of course, lowering prices should not be at the expense of service level but SMEs should look at cost savings they have just by virtue of being small. For example, a business in a particular council’s area may

be able to provide a lower-cost option than a larger business despite the larger business’s economies of scale simply by virtue of being located very close by.

Give excellent service support

Although the quality of the solution and cost are major considerations of procurers, SMEs can also differentiate themselves through a superior quality of ongoing service support.

For example, as a niche player, it is critical for Canford (SME, distributors of broadcasting equipment) to provide high levels of service for their clients, and not be entirely driven by cost considerations: *“We pride ourselves on service levels.”*

The company provides ongoing maintenance on its contracts which, whilst having a high financial value to the company, provides significant logistical challenges. For example, a four-hour fault response time with a client in London requires a significant commitment of resources from the North East-based company. Whilst this commitment does present a risk to the company, it is crucial to have it in place in order to win the contract, and *“it’s a risk which, in this case, paid off.”*

Jane Grant summarises the need for quality service delivery as the ability ‘to move fast with flexible delivery.’

Get recommended

If the procurer is going to go with a name they know and trust make sure it is your business’s name. It is important to be aware that the recommendation of a procurer in one local authority can have a lot of sway with a procurer in the neighbouring one. As such, as Cathy Maclean, a freelance IT consultant notes: *“A positive track record, which is really difficult to get at first, is incredibly important.”* – FreshMinds interview with Cathy Maclean, August 2008

A strong reputation helps to combat the risk-averse culture that can be found in Government. Not only does this suggest that SMEs should focus on high-quality service delivery and ongoing support, but also that they focus on getting that all-important first recommendation.

Ms Maclean offers these suggestions for obtaining your first recommendation:

- be careful with which public body you deliver your first contract to
- don’t be too ambitious with the first contract you attempt to win – there is no point trying to win a £800,000 contract if your turnover is only £200,000
- one seriously good delivery will give you a well deserved reputation
- don’t bid half-heartedly – find the most appropriate single contract and make your bid thorough

Another SME increased its bidding success when it ‘built and invested in public sector case studies’. Making sure that you point out your previous public sector successes to the procuring authority can be the key step in winning their trust, and highlighting these with case studies can be a great way to do that.



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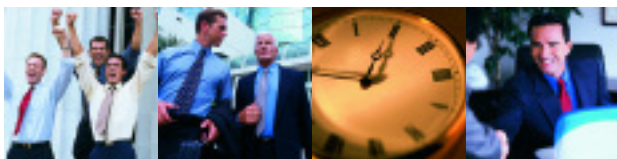
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- Innovative approaches to knowledge transfer within government
- Joined-up government
- Improved performance indicators
- Strategic direction and performance
- Opportunities offered by e-government
- Capacity to deliver change to meet identified needs
- Continuous improvement of services and challenging poor performance
- Sustainable development within decision-making processes and delivery of services
- EU-compliant processes
- Best practice procurement training



PASS MARK HEALTH CHECK

The *PASS* service can help your organisation examine its current procurement organisational structures, strategies, processes, practices and related strengths and weaknesses. It delivers a detailed *PASS Mark Health Check Outcome Highlight Report (OHR)* that outlines areas of strength as well as those requiring further attention, and provides an outline *Project Initiation Document (PID)* designed to deliver a more effective and efficient tendering process that will help you achieve optimum performance and better value-for-money procurement.

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