



THE BUSINESS SERVICES ASSOCIATION

Supply chains: Building ecosystems for local growth

May 2016





ABOUT THE BSA

The BSA is a policy and research organisation. It brings together all those who are interested in delivering efficient, flexible and cost-effective service and infrastructure projects across the private and public sectors.

Research conducted by Oxford Economics, commissioned by the BSA, shows that outsourced service providers make a huge contribution to jobs and prosperity in every part of Britain. The sector accounts for 9.3 per cent of gross value added to the economy and provides 3.3 million jobs, equivalent to over 10 per cent of all UK workforce jobs.

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FOREWORD



Mark Fox
BSA Chief Executive
May 2016

BSA members are major providers of business services across the private and public sector. Their supply chains include over a quarter of a million SMEs and span the length and breadth of the UK.

Working with supply chain partners in a responsible, inclusive and collaborative way is vital. It can directly stimulate local growth, provide social value and support the devolution agenda.

This paper lays out the excellent initiatives already underway to promote engagement, best practice and innovation between supply chain partners. It highlights ways in which positive examples can be scaled up across the public and private sector. It also offers recommendations on how the Government, contracting authorities and service providers can remove barriers to SME participation and create an environment for local success.

A thriving ecosystem of service providers forms the foundation of effective and competitive markets. Case studies in this paper demonstrate how this base can be built.

SUMMARY OF RECOMMENDATIONS

Local networks

- Local Enterprise Partnerships should establish specialised business networks to bring together experienced large companies and growing SMEs. Contractors should use these networks to host strategic workshops and engage with local business communities.
- Local authorities should measure supplier satisfaction and retention rates when managing contracts and should incorporate feedback mechanisms for suppliers on the prime contractor's performance.

Supply chain best practice

- Contractors should have procedures to identify and incorporate best practice in supplier relationship management. This may include initiatives such as the Government's Prompt Payment Code or establishing a governing supply chain council.
- Contractors should develop and grow initiatives to provide above and beyond support for SMEs and supply chain partners as a core part of their social value and local outreach programmes.
- Contracting authorities should seek to recognise the effort and benefits of SME support programmes by encouraging and rewarding innovative ways of working with supply chains.

Procurement

- For contracts targeted at smaller businesses, the Government should work to create a more equitable distribution of risk and ensure contracts take into account the size and experience of the company.
 - Private sector customers should learn from government initiatives to publish contract notices nationally and locally and reduce complexity in the preliminary stages of procurement to remove barriers to SME bids.
 - With established supply chain partners, contractors should bring SMEs into the procurement process early to provide input and help develop their commercial skills.
 - Contractors should consider where partnership structures could be used to deliver contracts and seek to identify key areas where SMEs could bring additional value. If relevant, the contractor should provide potential partners with clear information on the division of responsibilities and liabilities and should demonstrate a culture of genuine collaboration and mutual benefit.
 - Service commissioners should assess the potential benefits of SME collaboration in partnership models on large or aggregated contracts as an alternative to reducing contract size.
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As the public sector undergoes transformation, the private sector too must support and build networks to invest in local development and success

BEHIND THE UK'S DRIVE FOR DEVOLUTION

Devolution has fundamentally changed how policies are developed and how public services are managed across the UK. Constitutionally, Scotland, Wales and Northern Ireland now have greater autonomy over their own affairs than at any other time in modern political history. At the same time, combined authorities across the country are taking the first steps along the road to devolution, with deals that grant them unprecedented fiscal control and powers over public services.

The driving force behind this shift in power is the concept that by moving power from the centre and locating it closer to the citizens affected, local growth can be stimulated, public services integrated, and community needs better understood and addressed. As the public sector undergoes transformation, the private sector too must look to its roots, supporting and building the networks that enable them to thrive and investing in local development and success in turn.

Putting SMEs at the heart of local growth

SMEs are the building blocks of any local area. Numbering over 5.4 million, they make up 99% of all businesses in the UK and employ 60% of the workforce.¹ They contribute to business rates, soon to be set and collected by councils, employ locally, and often have close links to the communities they serve. As the Government looks to stimulate locally-driven economic growth through initiatives such as Local Enterprise Partnerships, Enterprise Zones and devolution deals, SMEs will play an ever-more important role.

Support for local SMEs must therefore go hand-in-hand with government and business efforts towards decentralisation and growth. For the business services sector, this means removing barriers to participation in contracts, committing to best practice with supply chain partners and creating values and cultures in business networks that appreciate the local worth of SMEs.



¹ Department of Business, Innovation & Skills (March 2015), Business Population Estimates

Providers carry out research and consultations to engage with potential partners and ensure that they both enhance and gain from the contract

Building supply chain partners into a contract
Case study: Seetec and the Kent, Surrey and Sussex Community Rehabilitation Company

The Kent, Surrey and Sussex Community Rehabilitation Company (KSS CRC), run by Seetec, delivers a range of rehabilitation services to low or medium risk people who have been sentenced to either custody or community supervision. While the core work, and management of risk, is delivered by KSS CRC, the company has supply chain partners who deliver additional support for offenders with complex needs. When looking to build and expand their supply chain, Seetec carried out research and consultations to engage with potential partners and ensure that they would both enhance and gain from the contract.

Research

A review of the caseload was undertaken to identify and prioritise areas where supply chain partners could add most value. This was supported by meetings with local stakeholders, commissioners of similar services, and providers of services in the offender rehabilitation field.

Consultation

A supply chain strategy was published and stakeholders including service providers were invited to events where they could learn more about the CRC's work and how they would fit into the delivery model, and comment on the strategy.

Open tender process

Bids were weighted based on organisations' evidenced impact on reoffending and local experience and partnerships, as well as on price.

Contract award

36 month contracts were agreed with supply chain partners based on the Ministry of Justice Market Stewardship Principles.

Contract management and support

Long-term relationships were built to ensure robust performance management and quality assurance, as well as support for small voluntary sector organisations.

Moving to a local supplier for school meals brought social value, helped reduce the carbon footprint of the contract and increased flexibility and service quality

BSA members have already taken the first steps along this path and are increasingly providing social value by focussing on local sourcing, engaging with community projects, and working with smaller, locally-based businesses.

Building sustainable local networks

Creating a supply chain centred around local SMEs can have a positive economic, social and environmental impact on an area. It ensures that money spent is reinvested in the area, by providing work to local businesses or by paying wages to local employees. It brings the providers closer to their end customers, enabling better feedback, commissioning and delivery of services. Finally, in industries such as construction, local engagement can reduce the environmental impact of a job by sourcing materials nearer to the site and ensuring travel and transport is optimised for local infrastructure.

Local suppliers guarantee fresh produce for school meals *Case study: Carillion and Oxfordshire County Council*

Carillion provides school meals for over one hundred schools across the UK working with a range of contracting authorities including Oxfordshire County Council (OCC). In 2014, OCC moved from working with a national food supplier to a Carillion preferred supplier E-foods; an electronic platform for purchasing produce from local companies. As a result the schools now receive food from two local suppliers, Roots of Oxford and British Meats, bringing social, environmental and performance benefits to the contracts.

Social Value

- Serving the community - Staff at both Roots and British Meats live in Oxfordshire and have children that go to some of the schools being served.
- Giving back - Both suppliers have offered to do talks at the schools about their products and healthy eating.

Environment

- Reducing carbon footprint - Wherever possible the suppliers source locally, reducing the carbon footprint of the contract and ensuring schools are receiving local produce and meat.

Performance

- Flexibility - Both suppliers are in the Oxfordshire area so can offer greater choice over delivery days and times.
- Quality - Local sourcing helps ensure the schools receive fresh and high quality products.
- Tailored service - Ability to work with the suppliers to make local bespoke products such as handmade meatballs.

Following the success of this approach with OCC, Carillion Services have moved to E-foods on over 14 contracts spanning the UK meaning hundreds of sites are now supplied by local farms and producers.

Large providers are often able to share best practice and professional experience with SME partners when delivering contracts

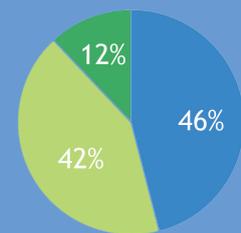
Large providers are well placed to share best practice in service delivery and to act as stable professional partners to SMEs. These, in turn, may have closer links to a community and the local expertise to tailor services effectively to end users. Examples of this can be seen in the Work Programme where prime providers often take on the management of the contract and ensure referrals are distributed and handled effectively, working with locally-based specialists or voluntary organisations who are able to carry out assessments or deliver specialist support in the community.

Liaising with SMEs to deliver the Work Programme
Case study: Serco and the Work Programme in South Yorkshire and the West Midlands

Through the Work Programme in South Yorkshire and the West Midlands, Serco supports the development of their supply chain by providing a robust, high quality infrastructure, a supportive market share mechanism, and training and development events for suppliers. The Work Programme has seen many of Serco's providers, such as i2i, the Work Company and WISE Ability grow exponentially as well as benefiting from capacity-building initiatives, such as training.

Serco's Work Programme supply chain is made up of a diverse mix of organisations.

- 46% voluntary sector suppliers (receiving 45% of cases)
- 12% public sector suppliers
- 42% private sector suppliers



Serco provides flexible support, ensuring large mainstream programmes are accessible locally. This has included fast payment processing to support SME cash flow, training, staffing and management guidance, and collaborative events to share best practise. Yes2Ventures, a small Sheffield-based charitable organisation has delivered services to Serco's Work Programme customers since 2011 and has benefited from Serco's approach.

"Serco supported us on cash flow and on several occasions fast-tracked payments due to us, so that we could concentrate on meeting targets rather than on firefighting."

Mark Powell, Managing Director, Yes2Ventures

Serco has a Merlin rating of 'Excellent' awarded by DWP for sustainable excellence for their supply chain.

To build local networks with SMEs at their core, large providers often hold supplier engagement days, inviting local suppliers to meet with them and learn how to bid for work packages on a contract. This expands opportunities to more suppliers, helps develop long-term relationships for future work and creates a cohesive local network for delivery.

“Meet the buyer” days allow local businesses to find out more about planned developments and learn how to bid for work packages

After winning the contract to deliver an infrastructure project in Doncaster, Carillion held a supplier engagement day to meet with local businesses.

Meeting local SME suppliers

Case study: Carillion and the Finningley and Rossington Regeneration Route Scheme

Carillion held a business event for companies to discuss local opportunities and benefit from the Finningley and Rossington Regeneration Route Scheme. In partnership with Doncaster Council, a ‘meet the buyer’ day allowed businesses to scope requirements with the Carillion buying team and find out about planned developments.

“This is a wonderful business development opportunity for Doncaster firms and a great chance for them to network with some of the biggest firms in the country. By meeting these decision makers it could open doors to new work, jobs and growth; ensuring the borough and our economy benefit at every opportunity.”

Ros Jones, Mayor of Doncaster

As well as providing forums for initial engagement, providers can create longer term programmes to help SMEs overcome barriers to market entry such as lack of understanding of the decision making process, stringent health and safety requirements and the perceived complexity of the supply chain.

Creating a supply chain inclusion project

Case study: Sodexo and supply chain partners

Sodexo’s 2015 supply chain inclusion programme focused on delivering valuable insight into how supply management works at Sodexo and what is expected of suppliers. It included one-to-one mentoring, a visit to Sodexo’s main food distributor and the chance to showcase their products at Sodexo’s internal supplier exhibition.

As a result Sodexo now sources 30 products from eight of the seventeen participants with four additional suppliers in the final stages of review. Of the successful applicants, seven are small businesses, five are women-owned and one is ethnic-minority owned. Four participants have also gained listings with its supply chain partners, providing them with the opportunity to sell to other customers, further enhancing the benefit of the programme to them.

“Sodexo has been unbelievably encouraging; they have broken everything down for us and enabled us to see the whole organisation and distribution chain and understand it all.”

Anna Taggart, Owner of Yummy Bakes



For BSA members, there are further opportunities to build upon these initiatives. Local Enterprise Partnerships (LEPs) already play a significant role in local growth and include large and small businesses invested in that region. Specialised networks, for example in the digital or construction space, could be set up within these to bring together large companies with expertise and SMEs looking to develop.

Recommendation: Local Enterprise Partnerships should establish specialised business networks to bring together experienced large companies and growing SMEs.

Hosting workshops for supply chain partners can help them to gain strategic skills and fosters closer community links within industries

By hosting workshops across networks on topics such as Cyber Essentials, as Bouygues Energies & Services have done with their supply chain, large providers can provide strategic support which upskills their supplier base and fosters closer community links within industries.

Sharing best practice in cybersecurity through SME workshops *Case study: Bouygues Energies & Services and supply chain partners*

As part of an ongoing commitment to assist and support its supply chain partners, Bouygues organises and runs workshops on Cyber Essentials, the UK Government-led accreditation that provides businesses with a foundation of how to defend themselves against the increasing threat of cyber threats. The workshops include information on the basic measures to defend against cyber attacks including security configuration, boundary firewalls, access control, patch management and malware protection.

SMEs form 70% of Bouygues supply chain and Bouygues hosts regular workshops on topics from digital marketing to finance and HR. By building long-term partnerships and sharing best practice Bouygues are able to create valued long-term relationships with local companies.

Photo: Participants at Sodexo's annual Salon Culinnaire event, part of their supply chain inclusion programme

SUPPLY CHAIN BEST PRACTICE



Supply chains must function effectively and provide benefits to the client, the contractor and their sub-contractors

Once established, supply chains must function effectively, providing benefits to the client, the contractor and their sub-contractors. For instance, often larger providers working on significant contracts play a coordinating role which can enable access to large contracts for local SMEs and, as they take on additional services, reduce the burden on local authorities.

An example is Serco, a large multi-service provider, who can offer a range of joined-up services under a single contract. To deliver these contracts it works with SMEs such as Vermtek Ltd, whose field-based technicians provide pest control solutions in regulated environments such as hospitals, prisons and military bases. By building a strong working relationship with Serco, Vermtek has been able to drive up standards in its own business and access new work.

Working with Serco has provided great reference sites and driven Vermtek to achieve quality standards that give it a competitive advantage

Providing unique services to Serco

Interview: Charlie Hancock, Managing Director, Vermtek Ltd

How long has Vermtek worked with Serco and on what projects?

We started working on a single Serco contract in November 2011. Since then we have been successful in winning additional work across their UK contract base including for East Kent NHS Trust, a secure laboratory facility and a major residential housing project. Serco needed a pest management partner who shared their customer service ethos, could flex the service to meet their requirements and offer a cost effective solution.

What impact has a relationship with Serco had on the company?

Working with Serco has provided us with some great reference sites, which have really helped with our marketing. As with many larger organisations Serco have stringent performance criteria for themselves and their suppliers. The formality of large organisations' reporting systems can be daunting for smaller businesses, but Vermtek embraced the standards Serco required. The result is that we have improved all levels of our own service, achieving two of the most exacting quality standards - ISO 9001 and 14001. Being accredited to this level has given us a major competitive advantage against many of the smaller players in our market.

What are the ingredients for a successful commercial relationship between large and small providers?

First and foremost an open and honest relationship between all parties, so that everyone can work towards shared goals and objectives. Secondly by developing a trusted partnership, larger providers benefit from the innovative and flexible approach to service that often characterises smaller businesses and smaller organisations get the opportunity to develop the skills and experience they need to grow.



Photo: Charlie Hancock with members of the Vermtek team

Clear commitments to best practice can encourage SMEs to work with large contractors, reduce inefficiencies and create stronger working relationships

For clients, this arrangement offers simplicity and a single point of contact while giving them access to the best services in the market and the latest innovations. For SMEs, the relationship can enable them to work on a specialised part of a larger contract, provides experience working for large organisations, and drives growth and best practice in their own business.

To realise these benefits, large contractors should have ongoing procedures to identify and build in best practice in supplier relationship management. The Government's Prompt Payment Code, for example, includes commitments to pay suppliers on time, to give clear guidance to suppliers, and to encourage good practice in payments further down the supply chain. Internal practices, such as establishing a governing supply chain council to provide oversight and alignment of supply chain strategy can further ensure consistency and demonstrate dedication to best practice in supply chain management. Clear commitments such as this can build the confidence of SMEs to work with large contractors, reduce inefficiencies in the supply chain and create better working relationships between businesses. Balfour Beatty has used a number of initiatives, including sharing policies to reduce red tape and creating more accessible contracts, to support and increase their work with SMEs.

Working with SMEs in the construction sector

Case study: Balfour Beatty and supply chain partners

Balfour Beatty has a long standing commitment to engage with SMEs and in 2014 they were recognised by the Prime Minister for making a commitment to spend £1bn with SMEs each year. To support this work, Balfour Beatty helps SMEs overcome administrative barriers such as compliance with policy requirements by openly sharing its policies and procedures with SMEs to use as their own. They have also simplified their prequalification process for low risk SME suppliers.

Balfour Beatty has proactively reduced many contract sizes to make them more accessible to SMEs by using 'Local Procurement Plans' which ensure their projects consider which opportunities or works packages are or could be suitable for SME suppliers. They are also signed up to the Prompt Payment Code, encourage the use of purchase cards and offer access to their supply chain finance scheme.

"Balfour Beatty's commitment to spend a record £1bn on small and medium sized businesses is very welcome - supporting thousands of jobs within small and medium businesses, which will give hard-working people economic security for the future."

Rt. Hon. David Cameron, Prime Minister

Recommendation: Contractors should have procedures to identify and incorporate best practice in supplier relationship management.

Barriers to SME engagement include organisational and cultural barriers, logistical difficulties, contract scope and perceptions of public sector procurement

Supporting SMEs through partnership models

Different partnership models offer other ways for large and small providers to work together and to deliver services effectively. For example, in a lead contractor model, SMEs can be included throughout the bidding, development and delivery stages of a contract, led by a larger provider more able to undertake negotiations and a greater share of the risk. Alternatively, consortia partnerships between businesses can create a new corporate structure which enables multiple partners to share investment, risks and rewards and to deliver a more cohesive offering tailored to the client's needs.

Working in consortia can therefore ensure stronger relationships between delivery partners and give SMEs more control and input on a contract than in a typical sub-contracting relationship. However, research by the Scottish Government found that there was reluctance amongst many SMEs to bid for contracts in this way because of the associated challenges. Barriers to SME engagement included organisational and cultural barriers, logistical difficulties, contract scope and perceptions of the public sector procurement system.² Examples of where these challenges have been overcome and innovative contracting models used, as in the case of Hackney Homes and Homes for Haringey, offer important lessons on how more integrated supply chains can offer a range of benefits and opportunities.

Innovating in procurement to build an integrated supply chain *Case study: Hackney Homes and Homes for Haringey with Trowers & Hamlins LLP*

To deliver a programme of capital housing refurbishment, Hackney Homes and Homes for Haringey worked with the Supply Chain Management Group to use open book procurement methods. Using a model structured by Trowers & Hamlins, the contracting authorities procured a range of Tier 1 contractors on a Two Stage Open Book basis. Working jointly with their Tier 1 contractors, the contracting authorities then selected and supported a team of Tier 2 and Tier 3 supply chain members throughout the long-term programme of housing improvement and renovation works. Through this model, the clients were able to engage directly with Tier 2 and Tier 3 supply chain members at an early stage in the preconstruction process so that they could make maximum contributions to design, resident consultation, surveying and programming and could work in conjunction with the client and Tier 1 contractors.

By establishing a closer working relationship between the end client and those traditionally further down the supply chain, Hackney Homes and Homes for Haringey achieved overall savings of 31% through reduced contractor costs and reduced supply chain costs. The Tier 2 and 3 suppliers benefited from having clear work pipelines, better lines of communication and client briefs, and from the establishment of common Supply Chain Agreements which guaranteed prompt payment and an open forum for the resolution of problems.

² Scottish Government Social Research (November 2009), Opportunities and Barriers to Consortia Bidding for Public Sector Contracts

Businesses are finding new ways to engage with supply chain partners from incubating start-ups to providing support and opportunities to entrepreneurs

For large businesses, closer working with their supply chain partners can add complexity to a bid. However, it can also bring rewards of more effective ways of working, better alignment of all delivery partners' goals and a more attractive offering to clients, especially those in the public sector.

To overcome barriers to SME participation in partnership models, large providers should identify key areas where an SME can bring additional value to a contract; should seek to provide potential partners with clear information on the division of responsibilities and liabilities; and should be able to demonstrate a culture of genuine collaboration and mutual benefit.

Recommendation: Contractors should consider where partnership structures could be used to deliver contracts and seek to identify key areas where SMEs could bring additional value.

For service commissioners, there needs to be greater awareness of the potential of partnership models to enable SMEs to bid on large or aggregated contracts while supported by a larger business. An alternative to breaking up large contracts to make them more appealing to SMEs might be to encourage consortia bids: providing larger providers with an incentive to work alongside smaller market players without creating additional burdens in procurement and contract management for the client.

Recommendation: Service commissioners should assess the potential benefits of SME collaboration in partnership models on large or aggregated contracts as an alternative to reducing contract size.

Sharing resources and expertise with supply chain partners

Beyond best practice, businesses are finding new ways to engage and support their supply chain partners. These go further than traditional commercial relationships and can act as a way to bring together the innovation and agility of smaller businesses and the resources and experience of a larger partner.

In the technology sector, companies such as Google have famously “incubated” start-ups, bringing in cutting-edge research and enabling growth. In the business services sector, businesses are learning from this model, as can be seen in “SME Harbour” a network of specialist small companies built and developed by digital services provider Atos.

Atos' innovative SME partners receive support from their sales team and gain access to tailored advice, information and mentorship

Building SME Harbour to improve services and enable partners

Case study: Atos and supply chain partners

Atos have created the SME Harbour programme to identify and build closer relationships with innovative SME partners. Smaller businesses such as Infoshare, who have a unique data matching and analytics offering, or Thoughtonomy, a leader in robotic process automation, are able to access Atos' large and diverse client base, receive support from Atos' sales team and gain advice, information and mentorship from Atos' team. Additionally, they receive tailored legal Terms and Conditions that limit risk and guarantee 30 day payment terms.

For Atos, the partnership brings cutting edge technology into their business, enables them to be reactive and agile to market developments, and creates value for customers by providing best in class services in a variety of specialist areas. The SME Harbour therefore creates a way for Atos and its trusted partners to work together on an equal footing, providing opportunities for growth and supporting innovation in the market.

Working with Infoshare to provide data solutions

Atos is working with SME partner Infoshare to deploy innovative data matching, predictive analytics and business consultation to create a data intelligence model for South Wales authorities. Infoshare used experience from working with multiple data sources and Atos provided specialist analytic business knowledge to analyse the risk factors for vulnerable citizens and help the authorities plan and target public services accordingly.

“As an SME, I have a significant challenge to engage successfully with the right partner organisation. But Atos is incredibly welcoming to Infoshare, really understands our innovative approach, and champions us across its organisation. We have worked hard together to win business, and we have been treated as equals by Atos throughout our relationship.”

Pamela Cook, Managing Director, Infoshare



Working with entrepreneurs to get their products to market is another key role service providers can play, with Compass Group using a Dragon's Den style approach to bring fresh products and ideas into their services.

Bringing SME entrepreneurs into contract delivery Case study: Compass Group's *The Idea Works!*

The Idea Works! was designed by Compass Group UK & Ireland as a way of helping small and medium-sized businesses take their products and services to market. Entrepreneurs with exciting new concepts in food, cleaning, facilities management and safety are able to submit ideas through an open online portal. Successful candidates are then given the chance to pitch ideas to a panel of experts and decision-makers from Compass Group UK & Ireland.

Candidates with an innovative, suitable and relevant product are introduced to a network of Compass Group UK & Ireland's commercial and product-development teams who use their expertise to provide advice and support to the companies on establishing suitable routes to market. Since launching *The Idea Works!* in 2012, Compass Group UK & Ireland has supported over 30 companies in bringing various different products to market.

Taking Snact to a wider market

Snact is a fruit snack made from 100% surplus fruit collected from wholesale markets and farms. Following their pitch to *The Idea Works!* in January 2015, Compass Group worked with Snact to develop their brand and packaging and to become compliant with industry and retail standards. Snact has since begun trials at The Wellcome Trust and has been added to Compass Group UK & Ireland's extended range, available to all Compass sites to order.



SME support should form a core part of social value and local outreach programmes

Providers should look to continue to develop and grow these initiatives to provide above and beyond support for SMEs and supply chain partners as a core part of their social value and local outreach programmes. Contracting authorities should seek to recognise the effort and benefits of such programmes and work with providers throughout commissioning, procurement and service delivery to encourage and reward innovative ways of working with supply chains.

Procurement processes are often one of the most significant barriers to competition due to the difficulty, costs and time involved

Recommendation: Contractors should develop initiatives to provide above and beyond support for supply chain partners as a core part of their social value and local outreach programmes.

Recommendation: Contracting authorities should recognise the effort and benefits of SME support programmes by encouraging and rewarding innovative ways of working with supply chains.

Overcoming barriers to participation

Better working within the business services sector creates more flexible and effective service offerings and brings benefits to both larger providers and SMEs in the market, as well as their clients.

Procurement processes are often one of the most significant barriers to competition in business services due to the difficulty, costs and time involved in bidding for large contracts. EU procurement directives enacted through the UK's Small Business, Enterprise and Employment Act have identified ways in which barriers in public procurement can be reduced, including improving and centralising information about upcoming tenders and standardising the pre-qualification questionnaires (PQQs) that can be used. Private sector clients can support greater SME engagement by following this example, circulating contract notices widely, both nationally and locally, and reducing complexity in the preliminary stages of procurement.

Recommendation: Private sector customers should learn from government initiatives to publish contract notices nationally and locally and reduce complexity in the preliminary stages of procurement to remove barriers to SME bids.

Alongside cost and resource concerns, smaller companies often lack a dedicated business development or procurement team, meaning commercial skills may be less prevalent or embedded in their processes. SMEs already gain important commercial experience through day-to-day working with larger providers but procurement is an area in which greater collaboration between partners has the potential to unlock further benefits. For example, where large organisations already work closely with SME partners, there is scope to engage with them earlier when developing bids for new tenders.

SMEs can be brought into the procurement process to provide input on how they will contribute to the service and to demonstrate the supply chain practices in place with the bidding provider. This would give SMEs an opportunity to help shape bids according to their expertise, raise their profile with clients, and provide valuable experience in building client relationships and navigating procurement processes. For large providers, it is a practical way to demonstrate their commitment to innovation, partnership working, and designing effective services.

Recommendation: With established supply chain partners, contractors should bring SMEs into the procurement process early to provide input and help develop their commercial skills.

The role of government in supporting SME participation

In the public sector, the Government has recognised the huge contribution smaller businesses make to the UK economy and has taken initial steps to reduce burdensome regulation and create an even playing field. Alongside implementing the EU procurement directives, the Government has set a target that twenty-five per cent of central government procurement spend will go to SMEs, has put greater emphasis on supply chains in PQQs and in bid scrutiny, and increased the weight placed on social value and local impact. This has provided a welcome focus on the challenges of the procurement process with standard contracts being reviewed and simplified, access to contracts improved, and more support being offered to SMEs bidding for public sector work.

However, where government is tendering contracts to smaller businesses for the first time, there needs to be a more thorough and equitable distribution of risk, taking into account the size and experience of the company. Disproportionate risk can disincentivise participation by SMEs or, more damagingly, can lead to problems or failures during delivery. Greater recognition is needed of both the risks of working with smaller businesses and the risks of each contract to ensure a fair and deliverable tender is agreed.

Recommendation: For contracts targeted at smaller businesses, the Government should work to create a more equitable distribution of risk and ensure contracts take into account the size and experience of the company.

Procurement reforms are able to create a positive culture shift in contracting authorities and improve access for the UK's growing businesses. However, the sustainability of this engagement is dependent on effective contract management, from both the contracting authority and the prime contractor, and long-term access to a pipeline of work.

For contracts with smaller businesses, there needs to be a more thorough and equitable distribution of risk

Sustainable investment and development of local SMEs can be incentivised through effective contract management

When managing contracts with prime providers, local authorities should work to understand better the on-the-ground impact of their local engagement. Where a contractor is working with a local SME, authorities could include supplier satisfaction targets in their performance measurements and incorporate feedback mechanisms on the prime contractor's performance.

Recommendation: Local authorities should measure supplier satisfaction and retention rates when managing contracts and should incorporate feedback mechanisms for suppliers on the prime contractor's performance.

These incentivise stronger working relationships and could feed into subsequent procurements, enabling contracting authorities to assess not only how much prime contractors work with SMEs, but also how well. Another important aspect which could be considered is the continuity of supplier relationships: how well a contractor retains their suppliers, offering them long-term access to work. Ensuring sustainable investment and development of local SMEs through effective contract management and feedback loops would provide more value to businesses and communities than short-term and unreliable boosts.



APPENDIX - LIST OF BSA MEMBERS

Full members

Accenture Plc
AECOM
Amey Plc
ARAMARK Ltd
Atos
Balfour Beatty Plc
Bellrock Ltd
Berendsen Plc
Bouygues Energies and Services
British Telecommunications Plc
Capita Plc
Carillion Plc
Compass Group Plc
Costain Group Plc
Elior UK Ltd
ENGIE UK & Ireland
Freidman FM
G4S Plc
Ingeus UK Ltd
Interserve Plc
ISS UK Ltd
Kier Group Plc
Maximus UK Ltd
Mitie Group Plc
NSL
OCS Group UK Ltd
Optum Health Solutions UK Ltd
PeoplePlus
Pinnacle Group
Prospects Services Ltd
Seetec Group Ltd
Serco Group Plc
Sodexo Ltd
Sopra Steria Ltd
TerraQuest Solutions Ltd
Veolia (UK) Ltd
Vinci UK Ltd

Associate members

Baachu
Barclays Corporate
Bevan Brittan LLP
Clyde & Co LLP
Deloitte
DWF LLP
ECI Partners
Ernst & Young LLP
Grant Thornton LLP
Interim Partners
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