Procurement in the time of Covid-19: Understanding the business services sector in 2020

September 2020

POLAR INSIGHT

Introduction

In July 2020, amongst the disruption of the COVID-19 pandemic, Polar Insight and the Business Services Association joined forces to understand more about the business services sector and the associated impact of five key factors: (1) COVID-19 (2) the role of SMEs (3) the role of social value (4) the emergence of new contracting arrangements e.g. dynamic purchasing systems (5) the use of the Cabinet Office's Outsourcing Playbook.

This report outlines the findings of that research and is designed to provide strategic guidance and market intelligence for those working within, or to support, the British business services sector.

The BSA - Business Services Association – brings together all those who are interested in delivering flexible, efficient and cost-effective projects and services across the private and public sectors. Its membership includes over 80 large and small organisations. The business services sector as a whole accounts for over 8 per cent of UK economic output and employs 3.3 million people across every region of the UK.

Polar Insight is a specialist research company and consulting community focused on the B2G sector. Its network of over 150 senior researchers and data experts help the country's largest government suppliers (+ organisations across the public sector) to use evidence & data to imagine, design and deliver better, human centred services that benefit citizens and businesses throughout the United Kingdom.

POLAR INSIGHT

THE BUSINESS SERVICES ASSOCIATION

Methodology & Sample

Methodology

- An online survey of circa 15 mins was conducted.
- The questionnaire covered a selection of key themes including:
    - Social Value
    - Procurement Mechanisms (frameworks etc)
    - COVID-19
    - The Outsourcing Playbook
    - SMEs

Sample

- BSA emailed invites to each of their 80 members.
- A final sample of n=48 was achieved, consisting of senior representatives from a number of the UK Governments Strategic Suppliers. Most responded on behalf of their organisation.

Executive Summary

Five takeaways from the research

Procurement Mechanisms

Framework agreements are the preferred procurement route for many suppliers, closely followed by competitive tenders. Competitive tenders, however, are believed to deliver more work. Respondents had mixed views about the merits of the different procurement routes.

SMEs

The vast majority use SMEs and they account for 42% of suppliers in the chain – this is expected to increase. This is good news for the government's commitment to support start-ups and small businesses via government procurement.

COVID-19

Those operating in the B2G sector have been helped by government support and supplier relief through Procurement Policy Notes published between March and June 2020. Similar support has been seen in the B2B sector but often to a lesser extent. Most operating in both the B2G and B2B sectors have experienced delays and cancellations due to coronavirus.

Social Value Act 2012

A large majority (88%) are aware of the Social Value Act and most are placing emphasis on social outcomes during procurement. This is seen more starkly for those operating in the B2G sector.

The Outsourcing Playbook

While 84% of respondents are aware of The Outsourcing Playbook, less than 40% of respondents felt that it has been effective, suggesting more dissemination is required.

1

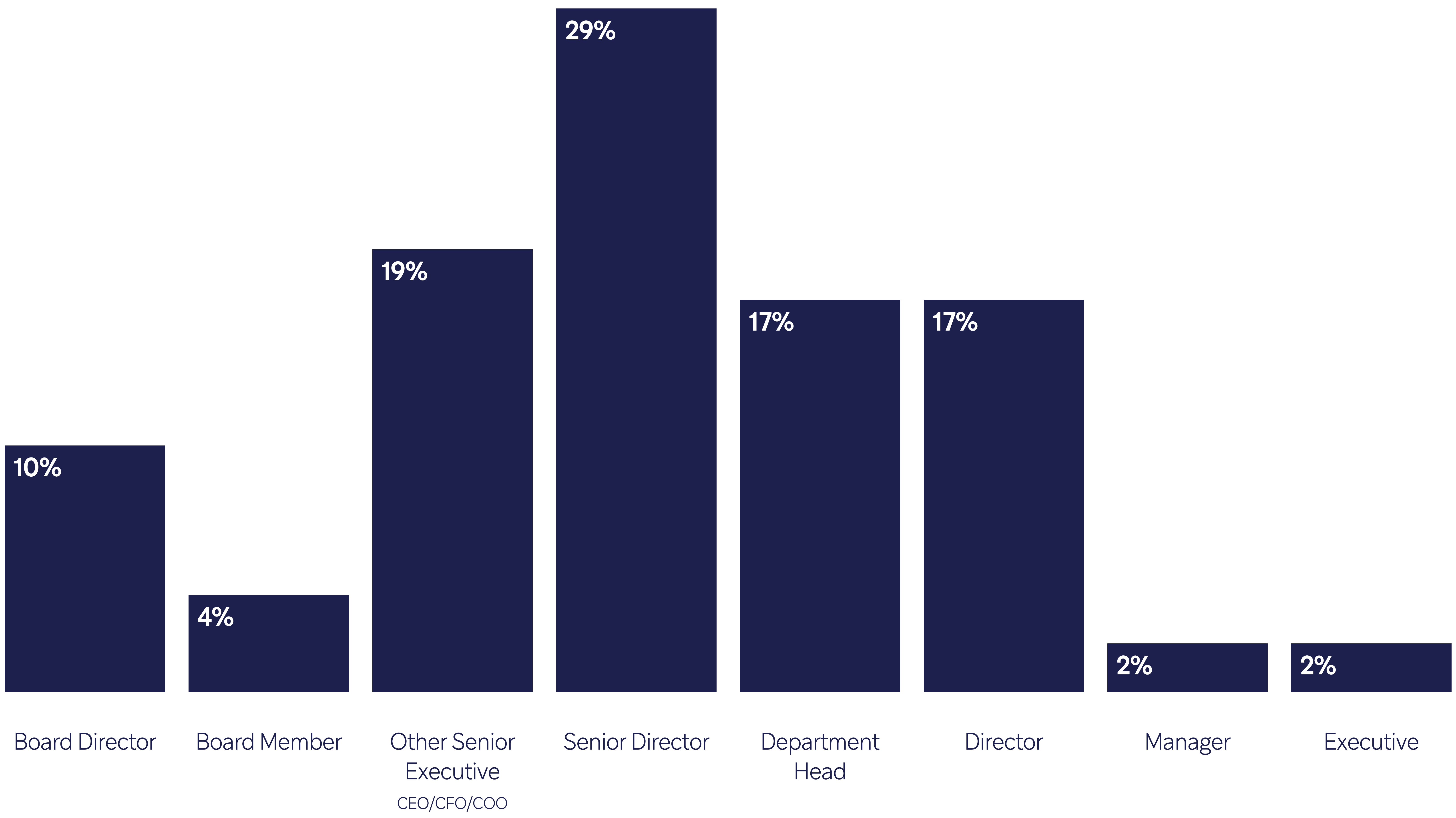
Respondent Profile

Who did we speak with?

Polar Insight conducted online interviews with just under 50 of the Business Services Association's 80 members. Consisting of senior decision makers within not only the largest government suppliers, but also some of the largest organisations in the UK, this enabled us unrivalled access to executive insight and market intelligence on the state of the business services sector in 2020.

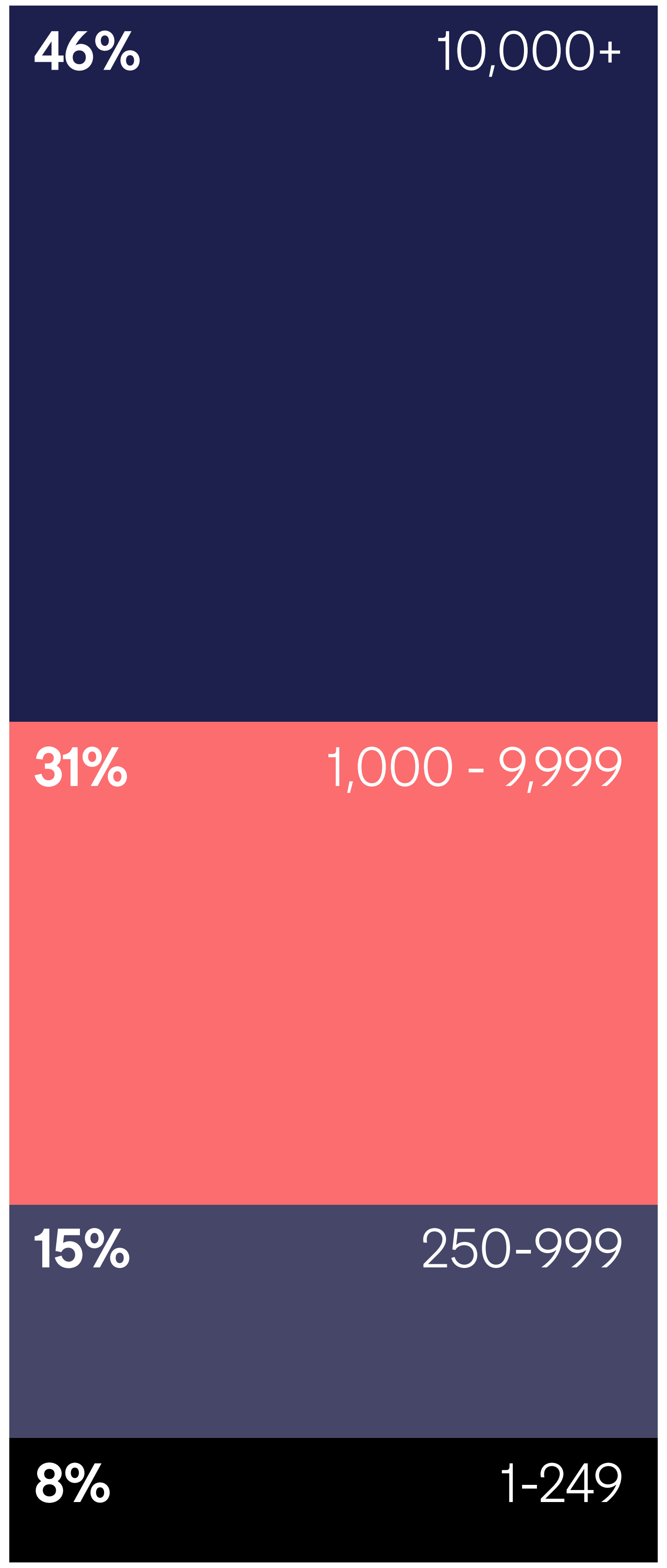
Senior respondents who all stated their involvement in tendering activity in last couple of years.

Job function

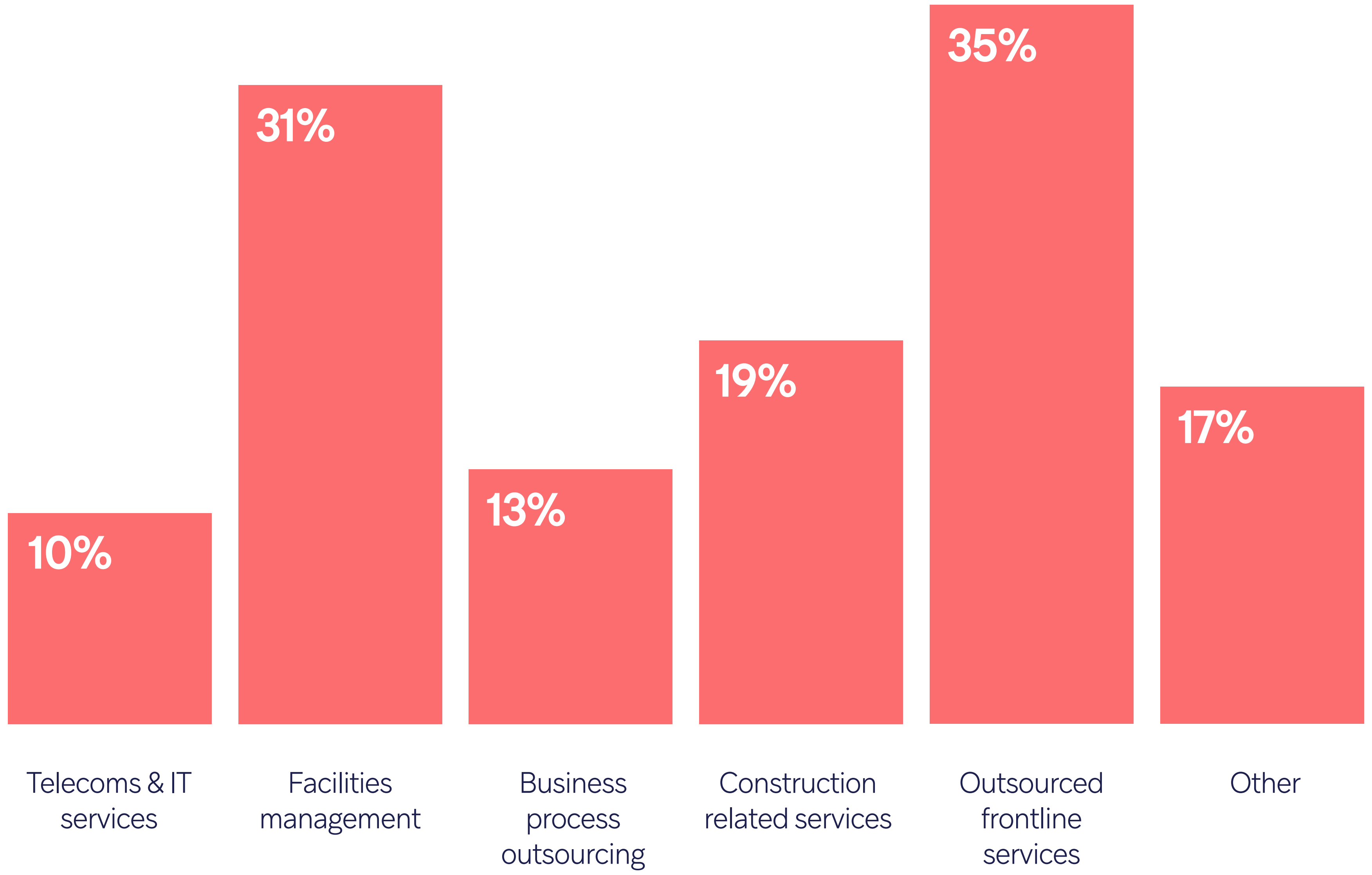


The organisations represented varied in both size and organisational focus, with strong representation of both the Strategic Suppliers and SMEs.

Size of organisation
Approximately, how many people are employed by your organisation worldwide, including all divisions and locations?



Type of organisation
Which of the following best describes the type of organisation that you work for?



Respondents reported that two thirds of the work conducted by their organisations is B2G.

Average work split

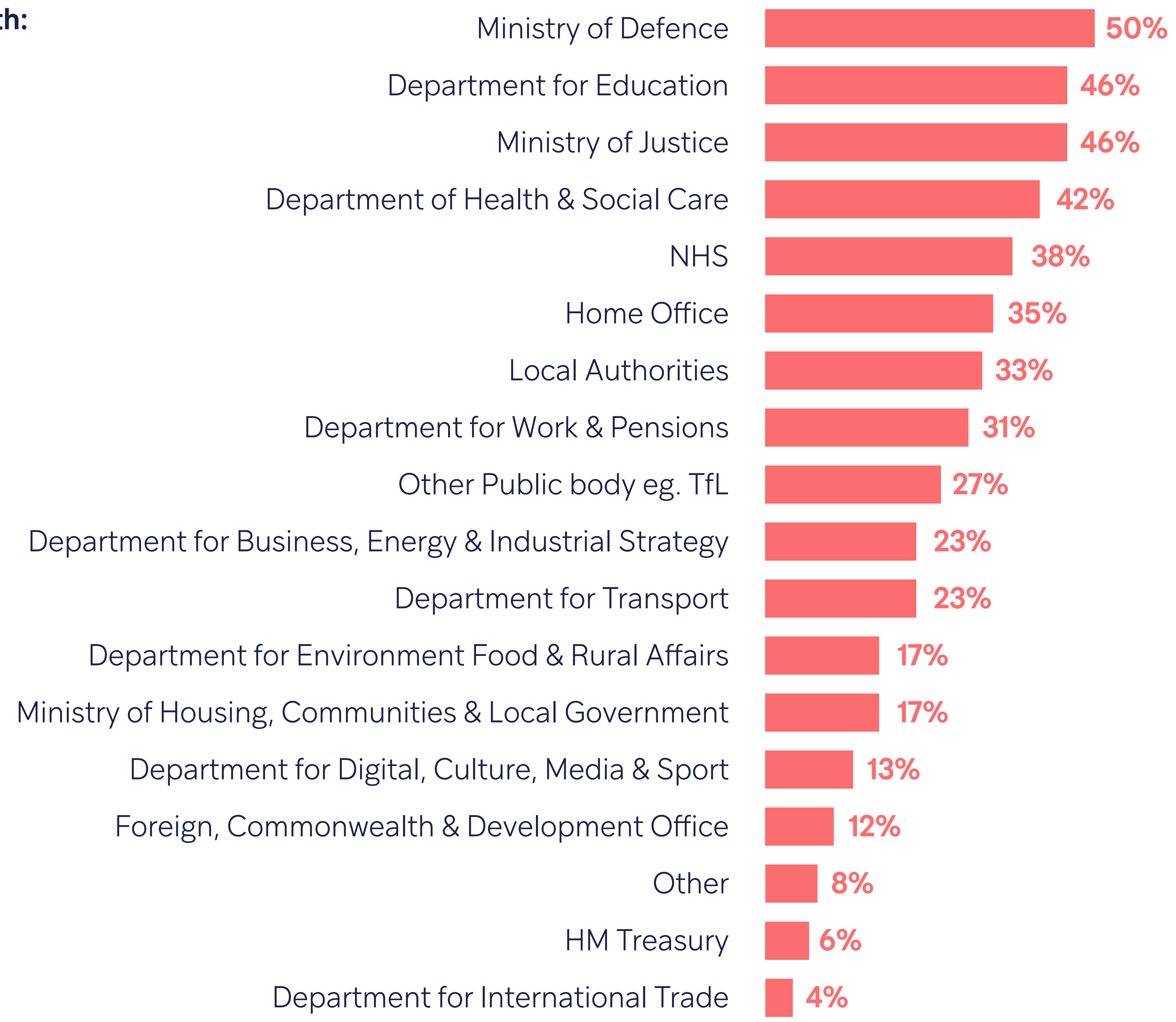
Respondents were asked what proportion of their organisations work is B2G and B2B.
15% of the organisations we spoke to work solely B2G.
None stated that they only work B2B.

38% B2B

62% B2G

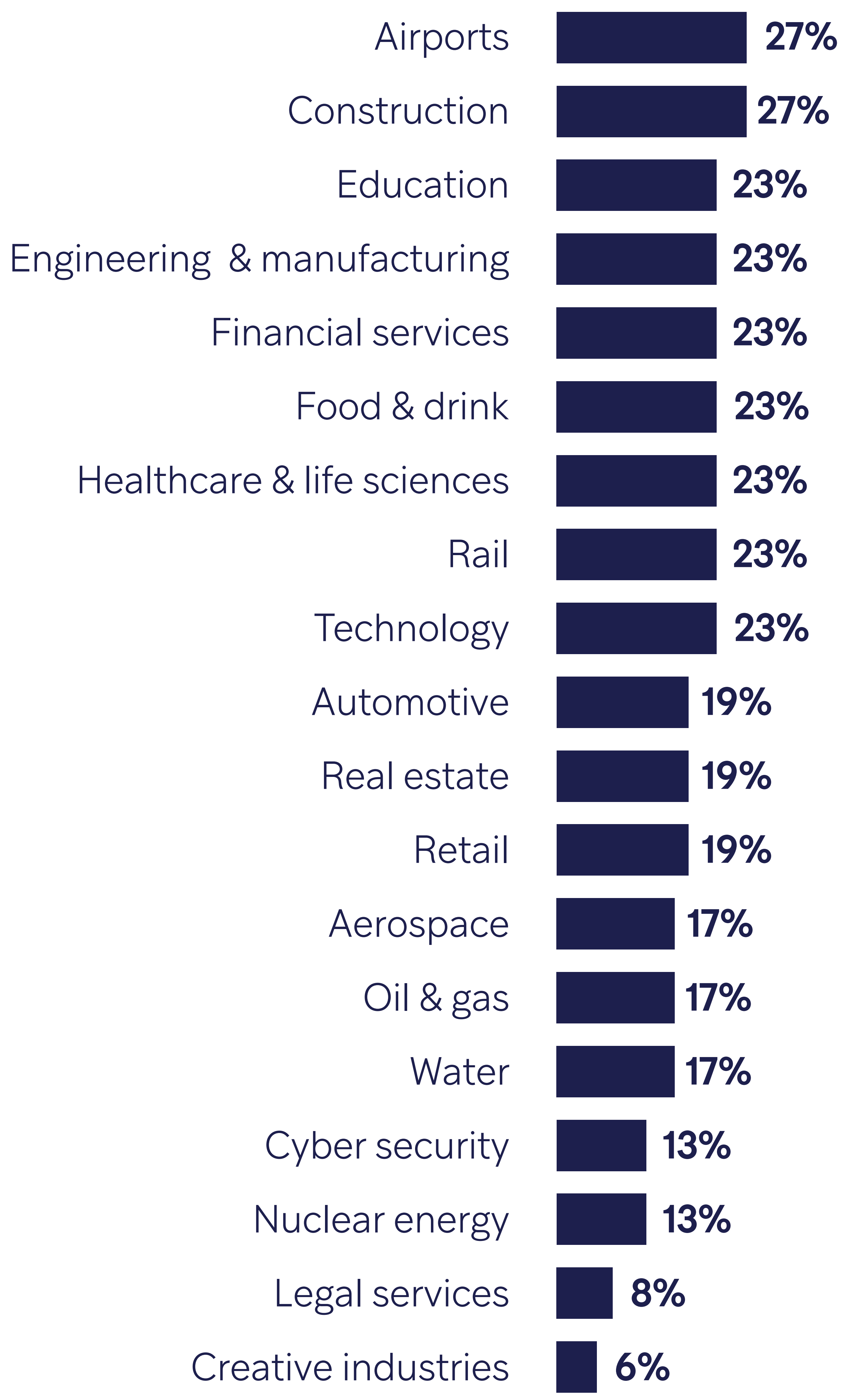
Half the organisations work with Defence, and more than 4 in 10 work with Education, Justice and / or Health & Social Care.

Government departments that respondents work with:



On average, respondents stated that they specialise on supporting around 5 different private sector industries.

Private sector industries that respondents work with:



2

COVID-19 Pandemic & Response

In order to understand more about the disruption caused by the COVID-19 pandemic, we spoke with respondents about how their procurement activity has been impacted.
In particular, we focused on the supplier relief as laid out in the Cabinet Office's Procurement Policy Notes between March & June 2020.

During the pandemic, two thirds of suppliers stated they had received support relating to their B2G contracts...

During the pandemic, have you experienced any relaxing of rules in the work that you conduct for the government?

YES 67%

NO 28%

DON'T KNOW 5%

...and supplier relief is generally perceived as being helpful overall.

How helpful has this relaxing of the rules been to you as an organisation?

"In some cases we have been given the flexibility to work with people virtually rather than face to face and that has enabled services to continue during lockdown. In other cases funding has been guaranteed even though some aspects of the work have been impossible to deliver. Both types of adjustment have made it possible for us to continue delivery and remain afloat."

Department Head

"Relaxing of contract measures / KPIs enabled us to focus on the safety of our staff and those we serve and divert resources accordingly. Also found a more open and progressive relationship with some Commissioners which enabled us to trial new ways of working during covid and accelerate some pilots as a means to overcome some physical barriers to people coming on site. Common sense approach taken on both sides which was helpful."

Board Member

"Most useful has been the prompt /early payment of invoices to ensure cash flow through our supply chain."

Senior Director

"Collaboration between commissioner and provider has been refreshing"

C-Suite Executive

"The publication of PPN 02/20 resulted in a series of constructive negotiations and settlements to reflect the impact of Covid-19. Some Departments have been better than others, but the support and direction of the Cabinet Office has been critical."

Senior Director

The B2B experience has been quite different, with less than half experiencing relief measures...

During the pandemic, have you experienced any relaxing of rules in the work that you conduct for the private sector?

YES 44%

NO 31%

DON'T KNOW 25%

...and as seen for B2G, whilst the impact is not all positive, no respondents concluded the relaxation was not helpful.

How helpful has this relaxing of the rules been to you as an organisation?

“Requirements around resourcing contracts, whereby there is an acknowledgement that staff may have to isolate and will therefore not be able to attend their shift. Furthermore many clients are also flexible in how we structure commerciality in contract, so should a site close we can continue to invoice for overhead and contract budgets, which has helped to sustain our business..”

Sales & Commercial Director

Relaxation in reporting and focus on KPIs. Focus has shifted to outcomes and ensuring continuity of services.”

Head of Sales

“Relaxation of KPIs was helpful for us because key staff were furloughed; relief events for the DfE were unhelpful as it gave access to time relief not cost; retention relief helpful for cash flow; faster payments helpful for cash flow and supply-chain payments”

C-Suite Executive

The majority of respondents have been impacted by delays and / or cancellations.

Have you experienced delay or cancellation with any government procurements that were ongoing before the pandemic began?

Both cancellation & delay
"No financial impact in the immediate term as other opportunities have filled the gap but uncertainty around future pipeline is a concern."

Chief Channels & Alliances Officer

Delay
"In light of the reduced pipeline the business is likely to take significant step in reducing the level of people employed to secure those type of contracts."

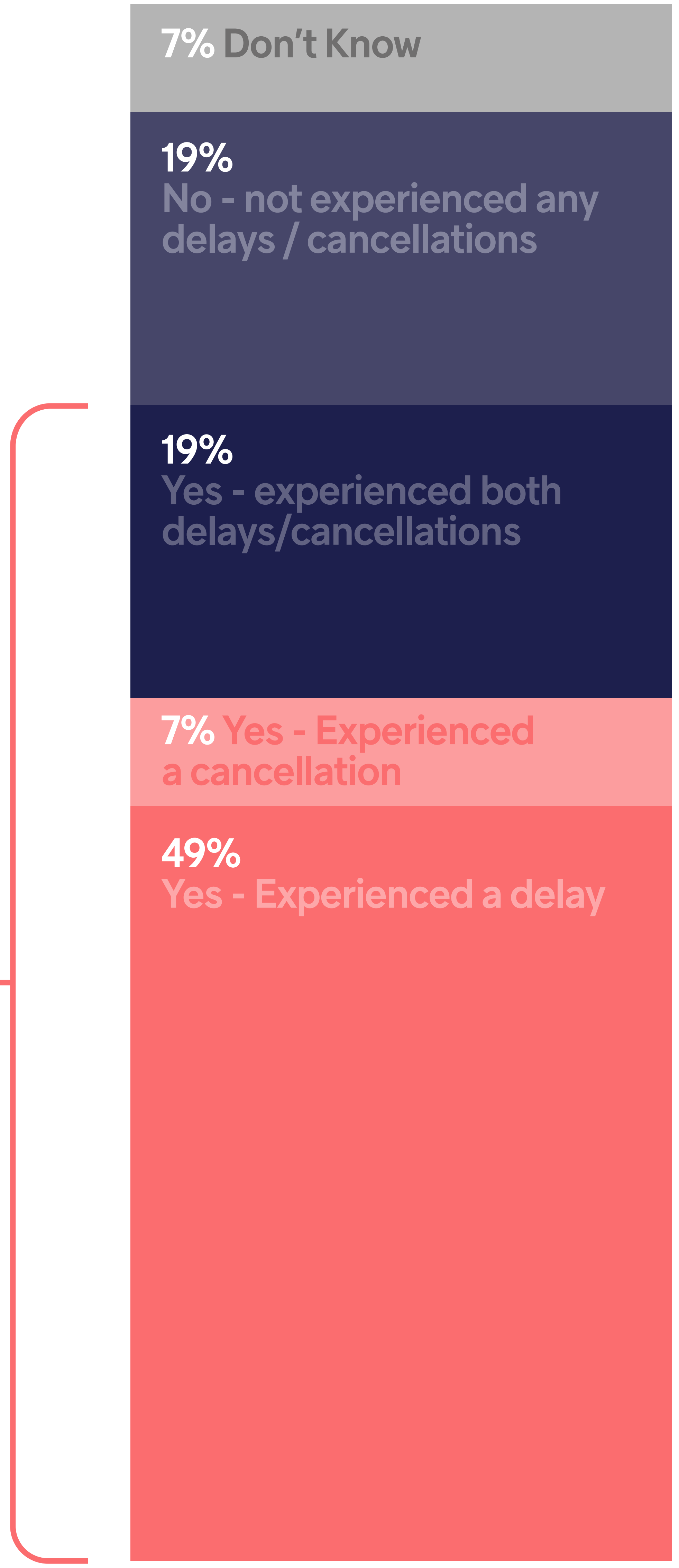
Business Development Director

Cancellation
"Hugely disruptive and impacting on potential growth. Bidding does not come free so procurement cancelled very late on represents a massive waste of resources for us in difficult times."

Business Development Director

68%
Experienced a delay

26%
Experienced a cancellation



B2B is more likely to have suffered from outright cancellations than B2G.

Have you experienced delay or cancellation with any private sector procurements that were ongoing before the pandemic began?

Both cancellation & delay
"...makes it difficult to forecast new revenues and services, as well as retain the required BD expertise within the organisation for a time that it may be required."

Director of Business Development

Delay
"Lost opportunities and revenue resulting in a drop in turnover, resulting in staff redundancies."

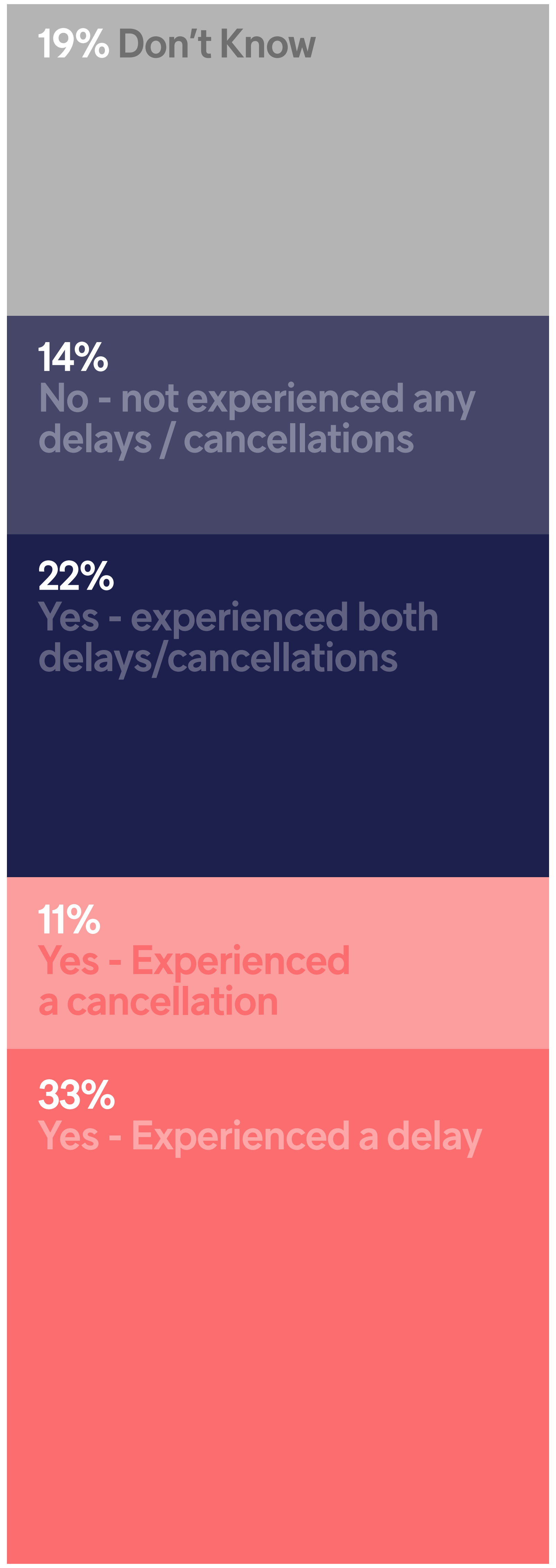
National Account Manager

Cancellation
"We have realigned our sales team resource to match tendering requirements. As tenders were being cancelled we were able to furlough staff, thereby allowing us to better manage our overheads."

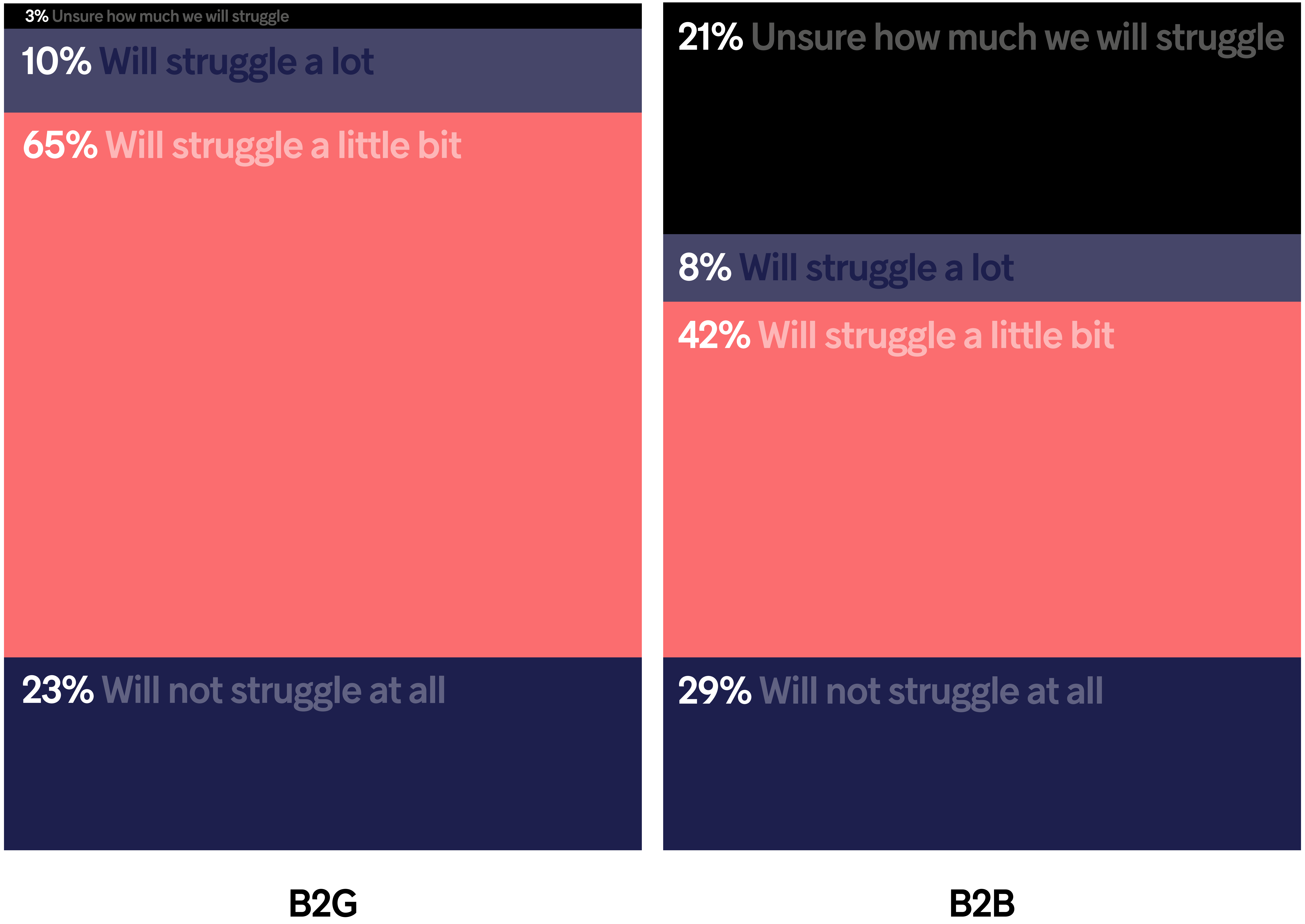
Sales & Commercial Director

55%
Experienced a delay

33%
Experienced a cancellation



We asked respondents about the potential impact of pent up demand following the pandemic and how they will be able to respond. Those who operate mainly in the B2G sector expressed a higher likelihood of struggle with increased uncertainty reported for those who work B2B.



3 Use of SMEs

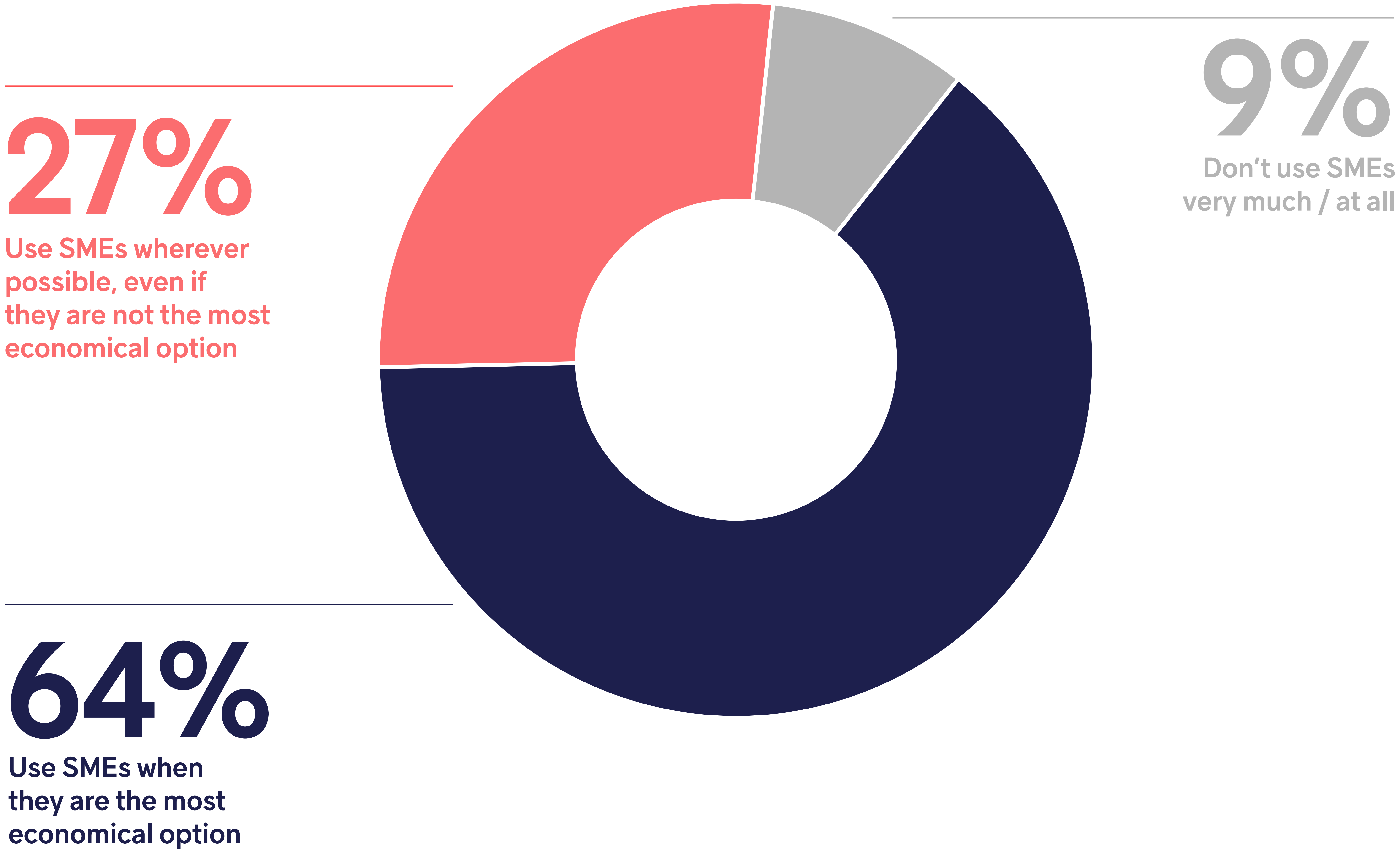
Following significant effort by the Government to increase the use of SMEs, Polar Insight spoke with respondents to understand more about their current use of SMEs and the role that small and medium sized organisations play within their supply chain.

The vast majority of suppliers we spoke with use SMEs and in total, they account for 42% of their supply chain. This is expected to increase.

This is good news for the government's commitment to support start-ups and small businesses via government procurement.

Working with SMEs is a high priority for respondents with the vast majority saying their organisation does use SMEs in their supply chain.

What is your organisations attitude towards using SMEs in the supply chain?



Currently, SMEs account for just under half of the suppliers in our respondent's supply chains. 51% believe this will increase.

42%

of suppliers are SMEs

51%

think usage of SMEs will increase

4

Social Value Act

The Social Value Act of 2012 calls for all public sector commissioning to factor in economic, social and environmental well-being in connection with public services contracts and for connected purposes. We asked respondents about their awareness of the act as well as how their organisations tries to incorporate social value in their service delivery.

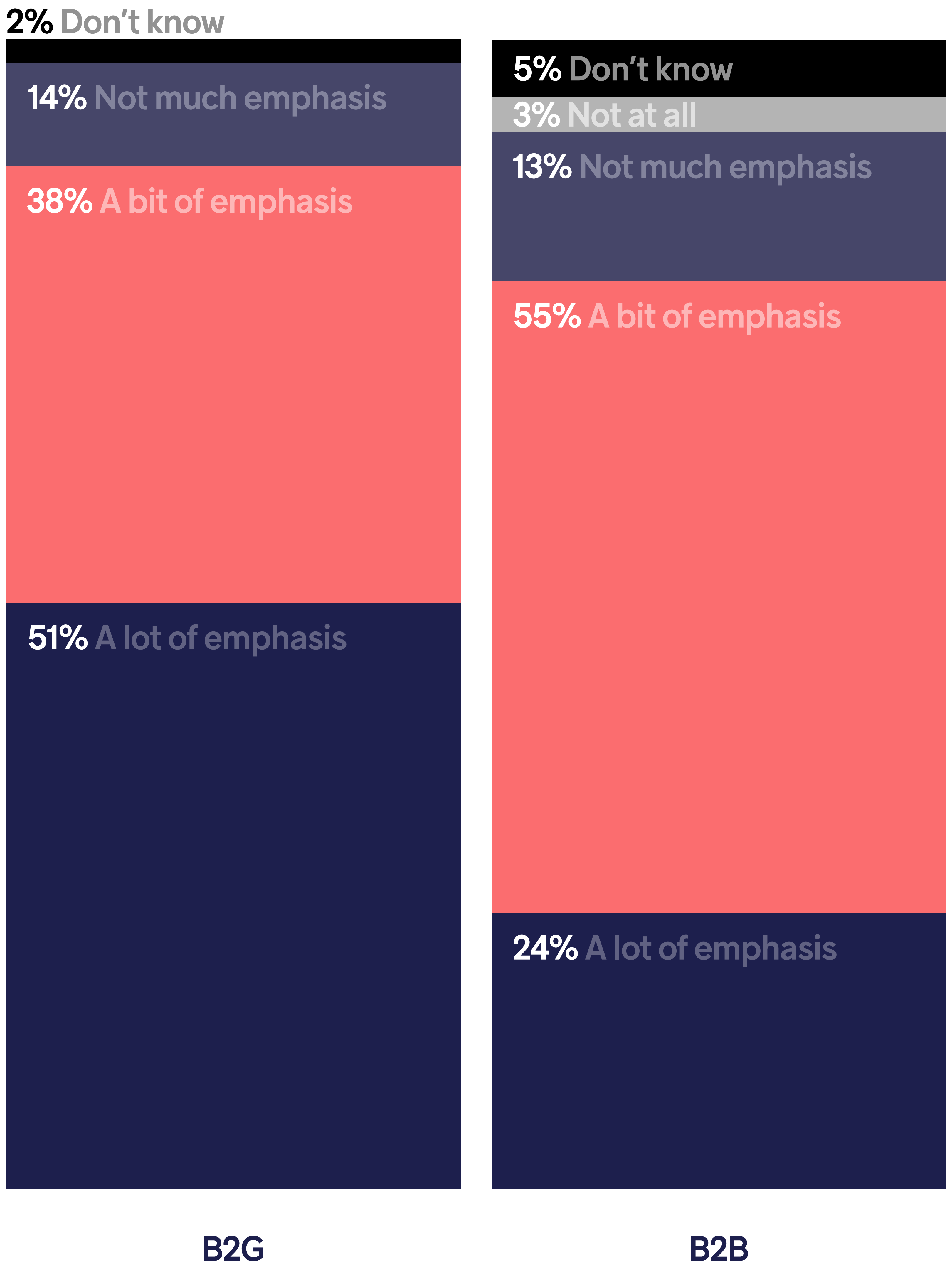
As may be expected, the emphasis placed on social outcomes is much greater when serving government as opposed to other private sector customers.

Awareness of The Social Value Act

88%
ARE AWARE

8% UNAWARE
4% UNSURE

Emphasis placed on social outcomes



All try to incorporate social value in service delivery. Over two thirds of respondents aim to employ local people and/or apprentices as part of their social activity. We know social value priorities often reflect those of commissioners.

Which social activities does your organisation try and incorporate?

Creating local jobs	67%
Providing apprenticeships	67%
Using local suppliers wherever possible	58%
Ensuring minority groups are represented amongst local workforce	44%
Supporting local communities	42%
Providing opportunities for those with a disability	31%
Using energy efficient equipment	27%
Using ethical (e.g. Fairtrade) suppliers	21%
Using products made from sustainable materials	19%
Co-ordinating with local schools / colleges to deliver careers talks	15%
Contributing to improving public spaces	15%
Supporting local charities	10%
Supporting local culture / heritage	6%
Other	8%

5

Procurement Mechanisms
How respondents like to bid

Respondents we spoke to believed that procurement is becoming more complex with many different routes being employed across the public and private sector. To understand their experience, we decided to explore three different procurement mechanisms: frameworks, competitive tenders and dynamic purchasing systems.

Procurement mechanisms covered:

Frameworks

A procurement framework is an agreement put in place with a provider or range of providers that enables buyers to place orders for services without running lengthy full tendering exercises.

Reference: https://www.nationallgpsframeworks.org/what-procurement-framework

Dynamic Purchasing Systems

A completely electronic system used by a Contracting Authority (buyer) to purchase commonly used goods, works or services. Unlike a traditional framework, suppliers can apply to join at any time.

Reference: https://www.lpp.nhs.uk/for-suppliers/what-is-a-dynamic-purchasing-system

Competitive Tenders

A formal process of receiving, evaluating and awarding contracts based on competitive tenders being submitted.

Reference: https://www.wirral.gov.uk/business/tenders-and-contracts/procurement-jargon-buster

48% of respondents prefer bidding through Frameworks

"As an SME we feel that it gives us better opportunity against our larger competitors."

Director

"Allows for a quicker process with dialogue on risk, scope, specification."

Senior Director

"Transparency, standard qualifying questions completed once rather than many times, more straightforward and transparent competition for contracts."

Board Director

"Although [it's] a large process to establish the framework, thereafter the mini tendering process is quick, simple and relatively low cost vs the size of the opportunity."

C-Suite Executive

40% of respondents prefer bidding through Competitive Tenders

"Much more likely to get sufficient information upon which to bid."

Department Head

"It's linked directly to an opportunity. Frameworks can waste a lot of time."

C-Suite Executive

"[Competitive tenders] allow for better solution development, elimination of ambiguity and as such better value for money proposals."

Senior Director

"It allows for the complexity of client requirements to be addressed on a bespoke basis. Frameworks, if operated well, can provide for this but both frameworks and DPSs can overly commoditise services as per 'not another paperclip."

Department Head

6% of respondents prefer bidding through Dynamic Purchasing Systems

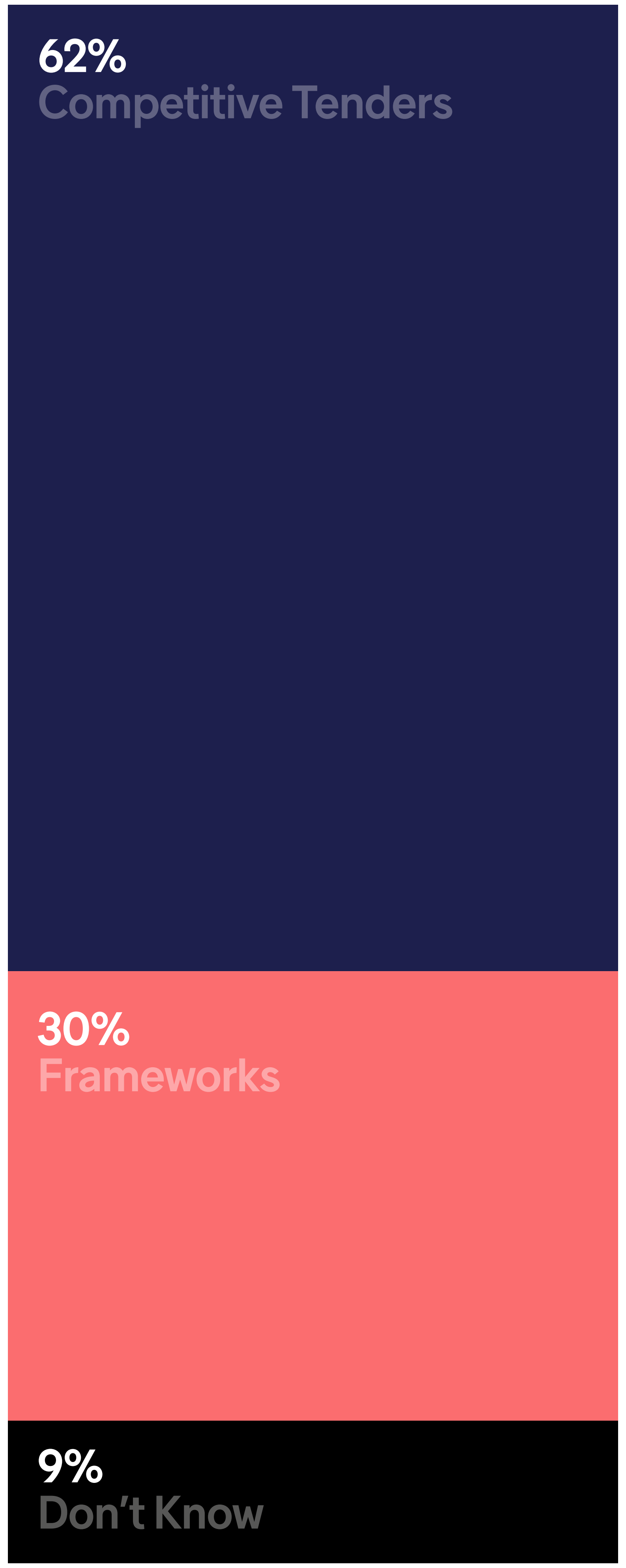
"We have the ability to enter and exit the scheme as best fits our business growth and plans."

Sales & Commercial Director

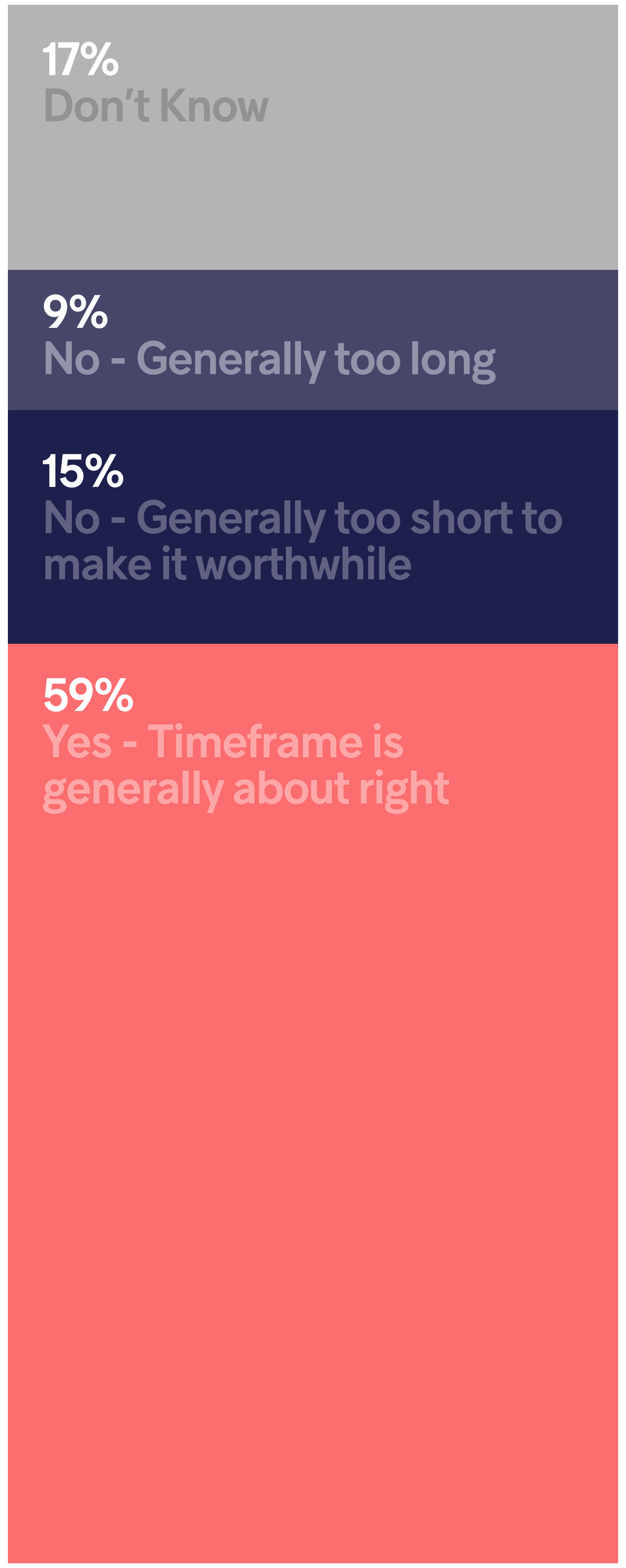
"A flexible, open competition based on current needs."

CEO

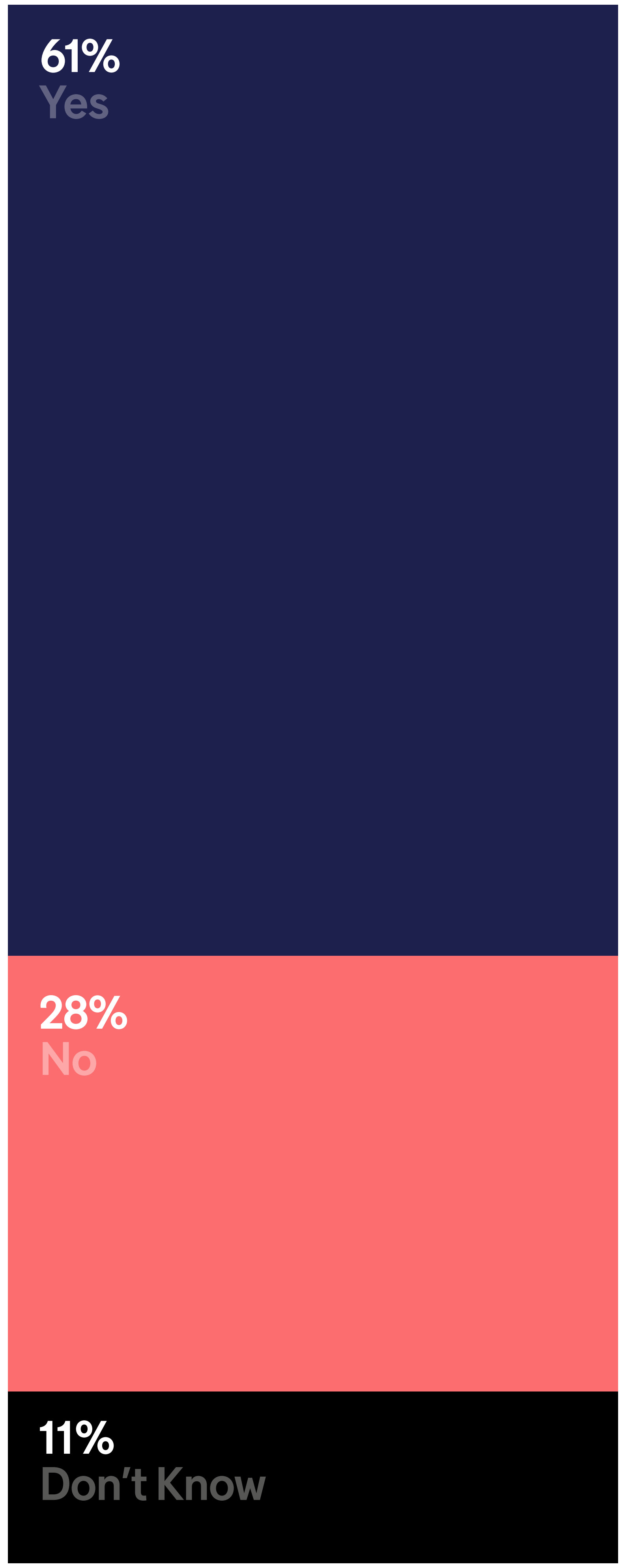
Competitive tenders are perceived to deliver the most work.



Which type of procurement does your organisation win the most work from?



Do you think frameworks and Dynamic Purchasing Systems tend to last for the right amount of time?



Do they tend to generate a volume of work that is worthwhile?

6

Looking Forward

This research gives a useful insight into members' priorities regarding procurement and contracting. Members are positive about continuing to deliver social value through service and project delivery, particularly creating local jobs and apprenticeships, and about increasing partnership working with SMEs. As the nation embarks on the path towards economic recovery, it will be vital for all organisations of all sizes to play their part and contribute to the levelling up agenda.

The COVID-19 pandemic has highlighted the vital role service providers play across the UK. Throughout the pandemic, BSA members have continued to delivery critical services and projects, working on the frontline and remotely to keep the country going and support the COVID-19 response. It is clear from the survey that the full impact of the pandemic on member organisations is still to be seen, particularly around pipelines, and work will continue with clients across the private and public sector to try to address this.

It is interesting too to gain further insight on preferred procurement mechanisms and the perceived advantages of each route. The forthcoming Green Paper on public procurement and update to government's social value framework will provide further context to these trends, as well as an opportunity to help shape public procurement practices following the end of EU transition.

Given the speed of current change, these findings come at an ideal time to feed into the BSA's work at national, regional and local level in the weeks and months ahead.

Mark Fox,
Chief Executive, Business Services Association

Polar Insight

London
68-80 Hanbury Street,
London, E1 5JL, United Kingdom

Lisbon
SH Lisboa, Mercado de Ribeira, Avenida 24 de
Julho, 1200-479 Lisboa, Portugal

+44 (0)207 971 1395
+351 308 803 008
polarinsight.com

September 2020