

## Leicester Shire Economic Partnership

### Final Report Management Summary

#### Introduction

This summary report outlines the key findings from a research programme by Sterling Consulting Group to identify how public sector organisations in Leicestershire can buy more effectively from local SMEs with the aid of e-commerce. We were asked to make recommendations on initiatives which the LSEP could adopt to promote and encourage closer working between the public sector and SMEs as suppliers through wider adoption of e-business.

#### Key findings - public sector buying

- ❖ Much local authority buying in Leicestershire is highly decentralised. The City Council has a small central procurement team. The County Council relies on ESPO to negotiate its major contracts; all other purchasing is decentralised. Northwest Leicestershire District Council also operates a decentralised purchasing system.
- ❖ ESPO has a potentially important role to play in the future development and implementation of a coherent e-procurement strategy for Leicestershire and the East Midlands. At present, however, ESPO tends to be responsive to the demands of its members rather than suggesting strategic initiatives to its partners.
- ❖ The EU procurement directives are not necessarily a constraint on SMEs being able to bid for work with public sector organisations. However, some buyers tend to interpret the directives in a way which can limit the scope to involve SMEs' involvement in the bidding
- ❖ Many SME suppliers do not understand the rules by which public sector organisations have to abide when seeking bids. This fact notwithstanding, the public sector could do more to explain to its suppliers the rules and procedures to which it has to adhere.
- ❖ There is a general awareness, particularly in local government that SMEs need to be given more information about what is expected of them if they are to bid effectively for public sector contracts
- ❖ Many public sector organisations (particularly local government) see it in their interests to support local business and are generally keen to support SME's where this makes good business sense.
- ❖ There is a worrying fragmentation of approach towards e-procurement and e-business within the public sector. Most local authorities appear to be pursuing their own plans and agendas in isolation of each other.

- ❖ Without a coherent approach to e-business and e-procurement, one which almost certainly needs to be based on a common open standard, the advent of e-procurement in any meaningful form is likely to be much slower and much more expensive than it needs to be.
- ❖ BASDA is heavily committed to an eBIS-XML which specifically excludes hosted options. It appears to have buy-in to this from the OGC (or at least to the eBIS-XML concept).
- ❖ Awareness of the GPC, how it can be used to streamline procurement activities and what benefits it can deliver is low in local government circles in Leicestershire. Yet the GPC is seen by many current users as a first step on the road towards e-procurement. Furthermore:
  - The GPC has major backing and support from the OGC
  - GPC transactions count towards the achievement of the government's e-procurement targets.
- ❖ While Leicestershire has a relatively high proportion of SME businesses which are owned by ethnic minorities there is little to suggest that ethnic ownership itself affects ICT take-up. More likely influencing factors are those relating to the low added-value business sectors in which these firms tend to operate.

### **Comments from SMEs**

- ❖ Most SMEs would like to have the opportunity to bid for more work with the public sector.
- ❖ Most SMEs who regularly quote for and win public sector business believe that the key to their success is maintaining contacts in the right places. Some openly admit that they obtained an initial “foothold” through good fortune – being in the right place at the right time.
- ❖ Many SMEs see a number of deterrents to doing business with the public sector. These include:
  - Bureaucratic culture
  - ‘Tick-the-box’ mentality of buyers
  - Heavy emphasis on compliance with requirements many of which are not seen as relevant to all SMEs (diversity, environmental issues, health and safety)
  - Slow decision making
  - Tortuous and expensive bidding process

- Differences in procedure between different authorities
- ❖ In general, public sector organisations were seen as good payers.
- ❖ About a quarter of the businesses interviewed were making significant use of ICT and saw it as essential to the future of the company. About half were making little use of ICT and had few plans to increase their usage significantly.
- ❖ Few businesses saw greater use of ICT as being a key to winning business in future with the public sector. Most thought that it would be some long time before the public sector was ready to trade with them electronically. In the meantime, they remained happy to wait to see what happened.
- ❖ Very few of the businesses interviewed said that they needed further ICT support
- ❖ Many of the businesses interviewed said that they would be happy to become involved in any initiative taken by LSEP to promote e-enablement and closer working with the public sector.

### **Key recommendations**

Key recommendations have been grouped as follows:

- ❖ Strategic issues relating to the implementation of e-procurement in Leicestershire
- ❖ Tactical issues relating to public sector procurement and the engagement of SMEs in Leicestershire
- ❖ Tactical issues relating to the e-enablement of SMEs in Leicestershire.

Recommendations are summarised below.

### **Strategic issues relating to e-procurement in Leicestershire**

- ❖ **E- business software needs to move towards an open standard.**  
This implies some form of XML – possibly eBIS-XML or cXML (Commercial XML). It is in our view absolutely vital that the public sector takes the lead and moves towards an XML open standard. This needs to be managed on a regional basis and requires input from and collaboration with EMDA who we believe will be fully supportive of this initiative.
- ❖ **Adoption of the Government Procurement Card**  
There needs to be a concerted effort to get the Government Procurement Card (GPC) more widely adopted by the public sector in Leicestershire and the East Midlands. This has a key role to play as a

first step towards e-procurement and as a cost effective settlement mechanism in e-procurement.

## Public sector procurement and SMEs

❖ **Advice to SMEs on tendering to the public sector (“Meet the Buyer”)**. Advice should be given by running regular (perhaps once a quarter) half-day training sessions to outline:

- The types of products and services purchased from SMEs
- The requirements with which the buyers need to comply
- What buyers look for in a tender. What factors are likely to promote success..
- Sources of information on public sector contacts and on procurement compliance issues.

The “Meet the Buyer” sessions should be supported by more specific events on bid / tender documentation (see below).

❖ **Preparation of Bid / Tender documentation.** There should be a series of regular short (perhaps 2 hour) sessions on bid and tender documentation for SMEs. They should be given examples and pro-forma documents to keep.

❖ **Document Standardisation.** This initiative ought to be implemented in conjunction with 2.2 above and should aim to identify and eliminate unnecessary differences in documents required from suppliers by different buying authorities. The aim should be to adopt exemplars of “best practice” as the standard.

❖ **Bids and tenders notice board for SMEs.** This overlaps with e-enablement for SMEs (see below). It should be possible to set up an electronic notice board on which public sector organisations can post details of contracts below the OJEC threshold. It should also be possible for buyers to post notices simply requesting information from suppliers.

❖ **EU Directives.** Training and information should be provided on the workings of the EU Procurement Directives. This should be aimed primarily at the public sector (rather than SMEs). Buyers should be told how to apply the directives without interpreting them in an unduly restrictive way.

## E-enablement initiatives

- ❖ **Continue to encourage and support the First Steps Programme.** This has been very successful to date and seeks to address the real needs of small businesses.
- ❖ **Annual E- conference for SMEs.** Depending on the success of the event which the LSEP is planning for June 2004, it would be worth considering running an annual version of the event.