

Leicester Shire Economic Partnership

SMEs and Public Sector Procurement

Final Report – 22nd March 2004

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1. INTRODUCTION

This is the final report on the research project to identify how the public sector and SMEs in Leicestershire can trade electronically. It summarises:

- ❖ Proposals and recommendations for developing e-business between the public sector and SMEs in Leicestershire.
- ❖ The findings from research carried out with SMEs in Leicestershire.
- ❖ The key findings from the interim report of 28th January 2004 along with added information from research with De Montfort University, BASDA, ESPO and Northwest Leicestershire District Council.

The following outputs from the research programme were given in the Interim Report:

- ❖ The review of current e-procurement good practice
- ❖ The findings from research interviews with public sector organisations

Details of the organisations interviewed in the course of the research programme are shown in Appendix 1.

2. PROPOSALS AND RECOMMENDATIONS

The original invitation to tender for this project asked us to set out our proposals and recommendations as follows:

- ❖ Local opportunities for and barriers to SME e-procurement engagement
- ❖ ICT e-procurement issues
- ❖ Recommendations for projects and opportunities to support SME engagement in public sector e-procurement.

Having completed our research and in view of the likely implementation issues surrounding our proposals we believe that the following structure is more appropriate:

- ❖ 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.

Our recommendations under each of these headings is discussed below.

2.1. E- Procurement - Strategic issues

There are a few strategic issues which are of such fundamental importance to the future of e-business in general that they simply cannot be ignored. These issues apply to the UK rather than just Leicester. Our proposals, however, discuss how these can be pursued on regional basis.

2.1.1. 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. If this does not happen different organisations will be running different systems resulting in:

- Significant cost for the installation of appropriate interfaces. This was one of the problems that dogged EDI. It is also worth noting that the Scottish Executive was initially quoted £250,000 just to build an interface between its e-procurement system and its Oracle accounting system.
- Inconvenience – e-procurement will not deliver the expected benefits in terms of convenience and ease of use if there is widespread use of different standards
- Delay – the speed of take up of e-procurement (and e-business) will be greatly reduced unless a common standard is adopted. It is also likely that sooner or later it will be realised that a common standard is essential and many organisations will then be forced to start again
- Practicality – the private sector is very unlikely to want to deal electronically with a public sector which has no common standard and which on this basis will be very expensive to trade with electronically.

Role of LSEP

We suggest that there should be an East Midlands regional initiative to move towards a common open standard. LSEP

needs to take the lead to start with. There are however two other likely key players in this process:

- *EMDA*
- *ESPO*

We believe that EMDA will be highly supportive of the idea and will be keen to take on a major role in helping to develop detailed plans. ESPO may need more convincing, not because it disagrees with the concept of open standards for e-business, but because it does not currently see this as part of its role.

In terms of implementing this proposal it is important that a local authority takes the initiative and introduces XML based e-business in the same way that the Scottish Executive has done. Ideally, this needs to be a high profile authority like Nottingham which has been awarded Centre of Excellence status for procurement.

Implementation of an e-procurement system based on an open standard needs to be accompanied by an on-going awareness campaign aimed at other public sector organisations in the region and at suppliers. The objective of this should be to:

- *Educate people about the benefits of adopting an open standard*
- *Make them aware that this is already happening in the area*
- *Make them aware that they will ultimately be left behind and left out if they wilfully decide to adopt a standard of their own.*

Because of the regional nature of this initiative it would be logical for EMDA to become the project leader. LSEP should however position itself as a key partner in the project and should be responsible for coordinating activities relating to this project at a Leicestershire level.

2.1.2. 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.

It is now over eighteen months since the OGC signed a contract with Visa for a five year contract to supply the Government Procurement Card throughout the public sector. The original five-year contract, let in to Visa in 1997, was for the supply of cards to central government departments. The new contract

covers all sectors – local government down to parish council level, health, education and emergency services.

Visa itself has just launched a new system for providing enhanced data on purchases at line-item level (the most detailed level and one which mimics a supplier invoice). The system, known as VGIS, uses XML.

Research for this project suggested that awareness and of understanding of the GPC in local government was very poor. In particular:

- There was a lack of awareness of the benefits that the GPC can bring as a method of making low value purchases
- There was a serious lack of awareness of the problems caused in any organisation by high volumes of low value purchases. In most organisations 60% of invoices account for less than 5% of total spend. This creates a huge administrative burden.
- There were serious misconceptions about the practical issues surrounding the use of the GPC
- There was little awareness that GPC transactions count towards the achievement of government e-procurement targets
- There was virtually no awareness that the GPC can be used as a cost effective settlement system in conjunction with an electronic order and invoice processing system.

It is regularly said that any organisation which cannot cope with purchasing cards will have trouble coping with e-procurement. We believe this to be fundamentally true.

Role of LSEP

We believe that LSEP should open a direct dialogue with:

- *The OGC and*
- *Visa International*

EMDA should also be involved in this. These parties should be encouraged to act as partners in this project

The objective should be to formulate clear plans with these organisations to encourage the take-up of the GPC by public sector organisations in Leicestershire as a method of making

low value purchases. At the same time there needs to be a campaign among businesses to encourage them to accept payment by Visa.

LSEP should then ensure that the resulting implementation plan is carried out. This will involve monitoring progress and ensuring that a dialogue

2.2. Public sector procurement and SMEs

There are a number of initiatives which can be taken or reinforced in this area. Most of them are very simple, although they require time from public sector buyers who are likely to be very busy. Opportunities include

2.2.1. Advice to SMEs on tendering to the public sector (Meet the Buyer).

Some authorities are already doing this. It is a worthwhile exercise, however, which should offer benefits to buyers and suppliers in terms of:

- Helping buyers to find new suppliers
- Informing suppliers so that they are likely to submit bids which meet the buyers' requirements
- Building good relationships (PR) between public sector buyers and SMEs

We suggest that 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 – the EU procurement Directives for larger contracts, the need to demonstrate that suppliers can meet H&S requirements, diversity and so on.
- What buyers look for in a tender. What factors are likely to promote success. What factors are likely to guarantee failure.
- 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).

Role of LSEP: Bring together buyers from different sectors (local government, health, education) and help to set up a programme of "Meet the Buyer" sessions which:

- *run on a regular basis*
- *cover different areas of the county*
- *deliver a consistent message*
- *are well publicised.*
- *are monitored for effectiveness and benefits.*

2.2.2 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 for:

- a *response* to an invitation to tender for a service and a product
- the various *policy* documents which they will need to submit (H&S, equal opportunities, diversity, environmental policy etc)
- advice on where to obtain specific guidance.

Role of LSEP

Coordination of this activity across public sector organisations so that:

- *a consistent message is delivered with differing sector requirement highlighted where necessary.*
- *duplication of effort is minimised*
- *organisations in all sectors work together to share the cost and the workload of running these events.*

2.2.3 Document Standardisation

This initiative ought to be implemented in conjunction with 2.2 above. There is, however, a need to gather together details of different procurement documentation used or requested by different organisations to identify:

- what differences exist
- why they exist and whether they are really necessary
- examples of good or best practice
- how greater standardisation can be achieved based in identified good practice.

Role of LSEP

Set up a project team to carry out a review as described above and to come up with standard documentation. The project must have buy-in from local government, health and education. Without this there will be resistance to adopting the outputs and recommendations of the project.

It would be a good idea to involve the CIPS in this as it deals with issues of good practice and best practice in procurement. CIPS will be well placed to promote the concept to its members in Leicestershire and beyond.

2.2.4 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 requesting information (i.e. without having a specific contract to let). The benefits of this would be:

- it would be an inexpensive and easy way of advertising contracts
- it would enable SME suppliers to keep up to date with contracts being let by the public sector
- it would avoid the duplication of every public sector organisation in Leicestershire running its own notice board
- It would allow buyers to research the supply market

The notice board should also have a buyer to buyer section on it so that buyers can swap information on the supply market and supply requirements.

Role of LSEP

Coordinate the setting up and management of the notice board. It might be attractive to get ESPO involved in this. It would also be worth involving EMDA as there is no reason why this initiative should not be broadened to encompass the East Midlands region.

2.2.5 EU Directives

This requires more detailed research to assess its implementation issues. However, it is clear that in many areas of the public sector understanding of how the EU procurement directives work is weak. This raises a number of issues:

- The procurement professionals generally have a reasonably good understanding of how the Directives work and how they should be applied. However, many worry about failing to apply the Directives and in order to protect themselves can become over-zealous in their application. This is particularly true in the area of structuring of contracts. Buyers may worry about splitting a contract when they could legitimately do so. The result may be that they rule out the possibility of an appropriate SME supplier from bidding for a specific part of the contract.
- The budget holders often do not understand the requirements of the EU Procurement Directives. There are plenty of examples of contracts not being advertised in the OJEU when they should be. This puts the organisation at significant risk of a challenge.

It would be worth discussing this issue with the CIPS to see whether events could be organised for public sector buyers and budget holders in Leicestershire to improve awareness of the issues.

Role of LSEP

Meet with the CIPS to explore the possibility of running events to promote understanding and awareness for buyers in Leicestershire. Organisations such as BIPP already run events of this sort on a national basis at about £400 a day. CIPS also runs training courses on the EU directives –primarily for its members- but it might be interested in developing a relationship with the LSEP which helped it to reach a larger audience of people who are not currently CIPS members.

2.3 E-enablement initiatives

Our research suggests that care is needed in promoting e-enablement initiatives to SMEs. The research suggests that:

- Most SMEs are capable of making up their own minds whether they need to become more e-enabled
- There are already channels through which they can find out about this – the Business Link being just one
- Those that are minded to become e-enabled will get on with it regardless of the obstacles
- E-enablement has different levels of application and varying benefits in different sectors of business. For a small business selling office furniture an interactive web-based catalogue might be very useful. For an electrician it would make little sense. A one-size-fits-all approach to e-enablement among SMEs therefore is unlikely to work.

Our suggestions are:

2.3.1 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. It is worth noting that this programme has attracted a number of excellent trainers who not only understand the issues surrounding e-enablement but understand it in the context of SME needs. The dynamics of SMEs are very different to those of larger businesses. First Steps deals with this issue very well.

Role of LSEP

Maintain dialogue with Diane Simpson and EMDA to ensure that the First Steps programme is well promoted in Leicestershire.

2.3.2 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. Objectives should be to:

- Publicise success stories in which SMEs have benefited from use of IT and e-enablement

- Update the public sector and SMEs on public sector initiatives to introduce e-procurement
- Allow LSEP, EMDA and others to obtain feedback on attitudes and developments among users (and non-users)

Role of LSEP

Plan and manage an annual e-business event for the public sector and SMEs in Leicestershire. Consideration should be given to seeking sponsorship for this event from potential exhibitors – as long as this does not compromise the perceived impartiality of the event.

2.3.3. ICT Brokerage.

We are aware that LSEP is already considering the possibility of setting up an ICT brokerage. While the concept is interesting and has a certain compelling logic, there was little in our research findings which suggested that there was overwhelming interest from SMEs in support of this sort. Our view is that there may be higher priority areas into which to direct resources and funds in terms of encouraging the adoption of e-business among Leicestershire SMEs. The most obvious of these is the urgent need to get an effective e-procurement strategy using an open standard into place for the public sector in Leicestershire.

3. RESEARCH FINDINGS FROM DISCUSSIONS WITH SMEs

Contact details for the research interviews were drawn from lists held by the County Council, the City council and the Chamber of Commerce.

Research interviews were held with 22 SME businesses, although one was the local branch of a retail business with a national network of outlets. Of the 21 businesses interviewed, 15 were on a one-to-one basis while the remainder were focus groups – 3 in one and 4 on the other. The original plan had been to hold four or five focus groups but it proved difficult to persuade people top com to these. Most commonly quoted reasons were:

- ❖ Too busy
- ❖ Not willing to comment with other people present
- ❖ Do not see why I should give up time to help the Council – they have never helped me
- ❖ Do not see what is in it for me.

A number of people who refused to attend a focus group said that they would see us on a one to one basis.

Due to the problems of recruiting attendees to the focus groups, we increased the number of one to one interviews to compensate. A consistent message emerged from the interviews and we believe that the results, while not statistically significant, are representative and reliable.

Composition of sample

The geographical spread of businesses interviewed is shown in Table 1 below.

Table1: SME Interviews –Location of respondents

Location	Number of respondents
Leicester	10
Loughborough	2
Glenpava	1
Aylestone	1
Wolvey	1
Ashby	1
Coalville	2
Countesthorpe	1
E.Goscote	1
Derbyshire	2

Almost half the respondents were based in Leicester. Of the remainder, there is a bias towards the west of the county. There are also two businesses from Derbyshire in the sample.

The sectors covered by the respondents are shown in Table 2 below.

Table 2 – SME Interviews – Respondents by sector

Sector	Number of respondents
Manufacturing/ fabrication	3
Building and construction	5
Building maintenance	2
Business services	5
Consultancy/training	2
Health and welfare	2
Retail / wholesale /trading	3

The size of the businesses varied. The largest employed 250 people. The smallest was a one-man business which had only recently started trading. Most of the businesses employed between 5 and 20 people. Some businesses were reluctant to give details of their turnover. Of those that gave details, the largest had a turnover of £20 million while the smallest had a turnover of £16,000. Most had a turnover of between £100,000 and £500,000.

Sectors supplied

The SMEs interviewed supply a wide range of public sector organizations including:

- ❖ Police and rescue services
- ❖ Education
- ❖ NHS Trusts (PCTs and Acutes)
- ❖ Local government (County, City and District Councils)
- ❖ Magistrates Court Service
- ❖ Schools, FE Colleges and Universities
- ❖ Government Departments – MoD, Prison Service
- ❖ Privatised utilities
- ❖ EMDA

While a number had only recently started supplying the public sector in the last year or two, a bout half the sample had bee supplying the public sector for at leas 5 years. One had been supplying for over 25 years.

Breaking into the public sector – not what you know but who you know

We asked businesses how they first managed to break into the public sector. Interestingly, many people gave responses which stressed the importance of:

- ❖ Opportunism – being in the right place at the right time
- ❖ Personal contacts

Specific responses included:

- ❖ Stumbled into it, by chance
- ❖ Happened to have a contact
- ❖ Developed contacts over time
- ❖ Personal contacts from previous employment
- ❖ Helped them out at short notice (i.e. another supplier had let them down, or we were the only ones who could help within the timeframe and budget)
- ❖ Word of mouth, reputation (several had done work in other parts of the country before selling work to public sector organisations in Leicestershire)
- ❖ Working as a subcontractor for a larger business with public sector work.
- ❖ Sudden changes of priority within the public sector – e.g. greater emphasis on school security post-Dunblane.

Only one of the business said that it monitored the OJEU for contracts which were being let. Another said that it used “Tenders Direct”. Other comments were as follows:

- ❖ Two of the firms involved in building/ building maintenance said that they were registered on Construction Line. Another said that he worked as a subcontractor to a property management firm which he suspected monitored major contract opportunities. A third said that he was an “approved contractor” to the local authority. This involved three-yearly reviews which were essentially a “paper exercise”
- ❖ The Leicester branch of the national retail outlet said that the head office would deal with issues of this sort.
- ❖ One respondent commented “Once you are in they all assume that you are approved”.

At the focus groups a number of participants commented that they were not sure how the OJEU worked. They said it would be helpful to know, although a brief explanation from the interviewers tended to create bemusement that a continental European business might be asked to bid for work in Leicestershire.

In many cases the value of the contracts which the participating SMEs would be bidding for was well below OJEU thresholds. Many SMEs then found out about work by keeping “an ear to the ground” and by maintaining local contacts. For most of them this is a simple and cost effective approach.

Building up public sector business – a slow process

Around half of the respondents said that they had managed to grow their business with the public sector. Specific comments included:

- ❖ There is a limit to how much we can take on
- ❖ We have grown the business but it has been slow
- ❖ “We did about 30 tenders between September and December. We got 6-8 replies and none of them have come to anything.
- ❖ We have neglected it – we are doing more ‘phoning round now
- ❖ It is gradually growing
- ❖ Public sector business has increased over the last two years.
- ❖ We have the right volume of work. We cannot get the staff to resource more work.

Implicit in some of these comments is a more fundamental issue about the nature of many small businesses – namely that they frequently have more to do with “life-style” for the owners rather than a desire to grow a large and successful business.

Feedback on bids – could do better!

Organisations which commented on the feedback they received said that it was poor. Some said that they got no feedback. Others said that all they received following the decision on award of contract was a short letter. Some said that they usually had to follow up a letter of rejection and ask for more information.

Barriers to doing work with the Public sector – 1% of buyers really know what they are doing; it's the other 99% that give them all a bad name!

Most respondents had quite a lot to say about this. Comments typically related to the same key issues, namely:

- ❖ The workload involved in responding to even a simple ITT in terms of
 - Documentation required
 - Bureaucracy
 - Short timescales for a response
 - Everything needed in writing
 - Need to submit policies on everything
 - Need to resubmit the same information for every bid
 - Lack of consistency between different buying organisations
- ❖ Lack of clarity over the decision making and supplier selection process
- ❖ Vague or ambiguous specifications
- ❖ Lack of understanding by the buyer as to what they are really buying
- ❖ Willingness to pass our specifications on to others (unfair treatment)
- ❖ Tendency to assume that a business of a given size can only handle a certain size of contract

ESPO comes in for criticism from a number of suppliers – although it may be that ESPO is an easy target as it buys on behalf of so many organizations.

There was also a view (from one of the focus groups) that the Direct Labour Organisations within local government tend to get favourable treatment when bidding.

Only two businesses said that they had found it relatively easy to supply to the public sector. In both cases they added that this was

because they knew certain key contacts very well and had built up mutual trust and respect for each other.

Specific comments included:

- ❖ They have a 'tick-the-box' mentality. They are looking for the wrong things
- ❖ They are not interested in small companies
- ❖ Nobody bothers to find out whether you can manage larger contracts (several people referred to this "pigeon-holing" of SMEs)
- ❖ Tenders are heavy and excessively time-consuming
- ❖ There is no consistency between LAs in terms of what they are looking for (several respondents referred to different organizations wanting similar information in different formats)
- ❖ They ask for the same information over and over again (this was a problem for firms which were regularly bidding for public sector work)
- ❖ People buying do not know what they are talking about i.e. buying. They never check the business or visit the site (interestingly, at least two respondents were overtly critical of ESPO in this context).
- ❖ "I have just looked at an ESPO ITT. It was so vague it didn't even make sense. I didn't waste time on it".
- ❖ "ESPO can be unreal. You fill a load of forms and then find that you don't fit their requirements"
- ❖ Bidding is costly – but manageable once you are approved
- ❖ You have to bid for everything. If you 'no-bid' the things which you are not interested in they take you off the bid list
- ❖ "There is a rota – Buggin's turn, regardless of who is the most appropriate supplier".
- ❖ The paperwork and documentation they demand is a major barrier (one company we spoke to had employed professionals to develop appropriate policies and procedures (H&S, Diversity, Equal Opportunities etc.) at a total cost of £4,000 - £5,000.
- ❖ The paperwork and bureaucracy are massive - "daunting"
- ❖ We are a small business; we can't afford to spend time on this sort of thing
- ❖ They never leave enough time for tendering – specifications are incomplete, then they wonder why there are disputes
- ❖ They take our specifications and circulate them (to other bidders)
- ❖ They play by their own rules. If you have no track record (of supplying them) your bid goes in the bin.
- ❖ They want everything in writing but are unresponsive themselves
- ❖ They want to stay within their "comfort zone". They will not take a risk or share a risk.
- ❖ Getting a decision out of them is a problem
- ❖ The decision making process is not at all clear.

- ❖ Basis of selection is not always clear (at least three respondents made specific reference to this).

Payment and administration issues – generally good, but with some exceptions

General administrative issues and settlement of invoices works well in most cases. Typical comments were:

- ❖ Council agrees and honours payment terms
- ❖ Payment is reliable
- ❖ Not an issue – BACS payment is fine
- ❖ Don't expect delays or queries. Payment proceeds well.

There were however some dissenting voices (about 25% made adverse comment) including:

- ❖ Public sector are “iffy” payers. They pay when they are chased.
- ❖ Internal admin weaknesses lead to poor payment
- ❖ If you don't have all the right ticks in the right boxes you don't get paid
- ❖ There are frequent and regular failures.

Nearly all respondents said that they were paid by BACS. Only two mentioned that they could accept payment by Visa and only the respondent supplying the Prison Service was actually paid by Visa. This was the only respondent who had heard of the Government Procurement Card (GPC).

Lack of awareness of the GPC (apparently within public sector organisations as well as SMEs) is an important issue as it has major implications in terms of:

- ❖ Awareness of the costs of processing low value purchase transactions
- ❖ Awareness of the costs of dealing with suppliers on a one-off or infrequent basis
- ❖ Ability to grasp the issues surrounding e-procurement.

The GPC is in some respects a first step towards e-procurement. Failure to understand how the GPC can be used to cut procurement costs with very little investment raises concerns that significant

amounts of money are soon to be poured down the drain on costly and ill-conceived e-procurement projects. This is particularly true in the light of the fact that GPC transactions count towards achievement of the e-transaction targets which the government has set.

Use of E-commerce – varying perceptions of relevance

Only 6 respondents in the whole sample claimed to be making significant use of e-enablement and saw it as central to the future of their businesses. This included the Leicester branch of the retail outlet. Typical comments were:

- ❖ We make contractual commitments on line, agree copy on line, place job adverts on the Internet.
- ❖ We use on-line ordering with both customer and suppliers
- ❖ We are very IT oriented – e-business, digital cameras, frequent updating of the website.
- ❖ We sell a huge amount by e-commerce

These companies tended to be in the business supplies area. Often their products or services lent themselves well to a catalogue format for sales purposes. In some cases the ability to send and receive digital information was a key feature of their business.

Five organisations in the sample were making limited use of e-enablement. This typically included:

- ❖ Use of e.mail for communication
- ❖ Use of a website – usually as a “shop window”

Some commented that they had been pushed down this route by market expectations, implying that it was all somewhat against their better judgement.

The remainder of the businesses were either making little or no use of e-enablement. About half were making limited use of e-mail. Some were also just getting a website put together. The others commented that they did not see it as being relevant to their business or that they had other issues which needed more urgent attention. One respondent initially thought that when we referred to “e” we were referring to environmental issues.

Interestingly, a number of the people who said that they were making very little use of e-enablement for business purposes mentioned that they were regular users of the Internet at home. Uses mentioned

included:

- ❖ Buying books from Amazon
- ❖ Booking air travel
- ❖ Research
- ❖ Buying on e-Bay

Use of e-business by public sector – very limited

Those few businesses which are making significant use of e-business commented that most public sector organisations which they dealt with lagged well behind in terms of their ability to make good use of new technology. Comments included:

- ❖ The NHS has the facility but does not use it.
- ❖ The public sector is not obviously pursuing it, though I understand that the County Council is considering an e-payment facility
- ❖ Is the public sector in a position to do e-business?
- ❖ The public sector lags well behind in this area.

Only one respondent (in one of the focus groups) commented that he thought that the City Council was more advanced than the private sector.

Others making more limited use of e-business commented that they did not believe that the public sector was ready to make much use of it. Some used this to help justify their reticence in making greater use of e-business.

Future e-business Plans – business as usual

Most of the businesses questioned had no specific plans to make further use of e-commerce. Typical comments were:

- ❖ We'll keep pace, but no specific plans
- ❖ No plans
- ❖ No particular plans but not averse to doing whatever is needed
- ❖ Keep abreast of developments

Those that were making significant use of e-business and IT were more positive:

- ❖ We are still investing in new equipment and taking on new people. We are aiming to keep abreast of new developments
- ❖ Continually updating. We need to for our private sector business.

Benefits of e-business – preaching to the converted

We asked participants about their perceptions of the benefits of e-business. Responses were interesting. Comments fell into a number of categories:

- ❖ Those who believed that it have very little impact on their business
- ❖ Those who said that it could reduce time and cost – although one person added that the public sector was sure to want to retain paper copies of most documents.
- ❖ Those who felt that techniques like tendering on-line should be beneficial but that e-auctions were going too far.

Those that were making significant use of IT and e-business were fairly sanguine in their attitude. Comments included:

- ❖ Speed of tender turnaround and general speed of response.
- ❖ Ease of dealing, but few real business benefits, although it can help to provide a clear audit trail.
- ❖ It will help with the physical processing of transactions but personal contact and relationships will still be vital.

IT Concerns – A case of insufficient awareness or sound realism?

Most of the businesses which were making limited use of IT and e-business said that they had few general concerns about technology and security issues in relation to e-business. At least four said that they had no concerns. One said that they had a few concerns about the security of business over the Internet. One company said that computers were unreliable. Two respondents raised concerns about the computer-literacy of people in their industry and one said that a rapid move towards greater use of IT would cause many people to leave. This company was involved in providing domiciliary care – a sector which appears to have problems on a number of fronts with more problems to come as the NHS moves towards e-enablement.

Those respondents who were making good use of IT said they had few concerns. They were reasonably self-sufficient in terms of requiring support. One commented that he worried about their server going down for a prolonged period – perhaps a recognition of the extent to which this business had become dependant on IT.

The Future

Respondents were asked what needed to be done to encourage them and others to trade electronically with the public sector in future. In a number of cases there was an understandable tendency to kick the ball back into the court of the public sector by saying that they just wanted a clear statement of intentions. Typical comments included:

- ❖ We need to be kept informed
- ❖ They need to tell us what their intentions are
- ❖ The public sector needs to explain to us what they are planning to do. We'll need at least six months of practical intentions.

One respondent commented that e-mail needed to become more reliable before he would make more use of it. "Why bother with e-mail, e-business, e-etcetera when fax and 'phone are more reliable?" he commented.

Others were more pragmatic:

- ❖ We need an up to date directory of e-mail addresses of all contacts
- ❖ A general suppliers list should be made available electronically to all departments.
- ❖ It would be a problem if we had to adopt some other system. If this was the case a costed approach with a willingness to share some of the "pain" would be essential (All public sector buyers who believe that it will be fair game to charge suppliers for the privilege of being on their system, please note!)
- ❖ Involvement, consultation – don't just come up with a solution and try to impose it.

Further involvement

Most respondents were positive about getting involved in any e-initiatives which the LSEP might set up in Leicestershire. Many said that they would be prepared to give up time to do this – one even said he would do so "out of hours. A number, however, offered more

qualified support, commenting that it depended on the time and commitment that would be required. A few also added that involvement would have to offer them a very clear commercial benefit to make it attractive.

4. SUMMARY OF FINDINGS AND CONCLUSIONS FROM INTERIM REPORT

4.1 Public Sector buying in Leicestershire

- Both Leicestershire County Council and Leicester City Council operate highly decentralised purchasing functions. 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.
- The EU procurement Directives are not necessarily a constraint on SMEs being able to bid for work with public sector organisations. There are however indications that some public sector buyers err on the side of caution in how they structure contracts and that this can make it more difficult for SMEs to bid effectively against larger businesses.
- Many suppliers (SME and probably larger companies as well) do not understand the rules by which public sector organisations have to abide when seeking bids. This fact notwithstanding the public sector has not been as good as it could have been in:
 - Explaining to its suppliers the rules which it is obliged to observe
 - Explaining the rules that it puts in place itself. ESPO's guidelines on suppliers who "no-bid" ITTs appear to be widely misunderstood by SME suppliers.
- 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. Not surprisingly, most time and effort is directed towards the largest and most critical supply contracts. Consequently, initiatives to ensure that smaller

contracts are well publicised to the SME community tend to receive a lower priority.

- 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. Government guidelines set out in the National Procurement Strategy for Local Government are superficially credible and helpful. Below the surface, however, they are vague, contradictory and, in some areas, likely to mislead.
- 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). However, it may be that hosted solutions are appropriate for some users. It is also disturbing that there is so little apparent awareness of the success that Scotland is having with its cXML solution. The Scottish Executive is currently spending about £3.6 million per annum on its e-procurement system (EASEbuy) with over 150 suppliers. There are now at least 6 local authorities and 3 health trusts which are in the process of adopting the system.
- 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. The same is likely to be true in sectors such as health and education. 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.

About half of the Scottish Executive's EASEbuy purchases (by value - probably much more by volume) are paid for using an "embedded" GPC.

5. **ROLE OF ESPO**

We met with ESPO and discussed the purchasing and e-procurement issues which the organisation is currently facing. We have summarised and interpreted the implications of these issues below.

- ❖ ESPO buys on behalf of its 7 members. It has, potentially an important role to play in the development and implementation of e-procurement in Leicestershire.
- ❖ However, ESPO appears to see its role as essentially being one of responding to the requests of its members. It does not appear to see itself as a leader involved in setting strategy.
- ❖ ESPO is implementing an on-line marketplace. This appears to have been prompted by the demand for something along these lines from users. This solution has not been designed to look beyond the needs of ESPO's members from a technical point of view or even from a purchasing point of view.
- ❖ ESPO is proud of the fact that it deals with many SMEs. However, ESPO came in for criticism from a number of SMEs in our research. Typical comments were that ESPOs buyers were badly informed about the things they were buying. Consequently, specifications were criticised as was the supplier selection process.
- ❖ ESPO's rules on "no-bidding" were not clear to many SMEs who we spoke to and who had submitted bids to ESPO in the past. ESPO's rule appears to be that if you turn down three consecutive opportunities to bid they will remove you from the database. Some SMEs believe that they will be dropped if they refuse any bid. A few also feel that they are sometimes used as "make weights" in the bidding.
- ❖ ESPO has a potentially important role to play in the development of an e-procurement strategy for Leicestershire and the East Midlands. It is important that ESPO is engaged in future dialogue and initiatives in this area.

6. **ETHNIC BUSINESSES AND E-ENABLEMENT**

We met Professor Monder Ram of De Montfort University to discuss his research into the use of ICT by ethnic minority businesses. Key issues to emerge from the discussion were:

- ❖ About 30% of the businesses in Leicester are ethnically owned. It is likely that a very high proportion of these businesses are SMEs.

- ❖ Information on ownership of businesses by ethnic group is scarce at both local and national level.
- ❖ Businesses run by ethnic minorities tend to make less use of ICT than those run by white Europeans or Americans (Monder Ram's research was carried out in Britain and the USA). He commented that research had shown that 75% of "white firms" were IT literate versus 38% of ethnic firms.
- ❖ There are examples of certain ethnic groups resisting ICT on religious or cultural grounds. However, the reasons for low take up are often more mundane and include:
 - The fact that their businesses are in sectors which do not lend themselves well to significant use of ICT. They are often low added value sectors such as corner shops, small textile businesses and catering establishments
 - They have tended to operate in sectors where there are few grants and incentives for the wider adoption of ICT
- ❖ Demographic factors, such as the age of the business owners, is an important issue. In this respect, ethnic business are no different to any other. As a more IT literate generation works its way through so use of ITC will be more widely adopted. It will take 10 to 15 years for this to happen.
- ❖ In terms of seeing ICT as a route to future growth and success ethnic firms are no different to any other. The motivators for the owners are often to do with lifestyle. Hence, promoting ITC as a key to growth and "competitive edge" will have little effect on many owners.

RESEARCH INTERVIEWS AND VISITS

During the course of research for this project we interviewed the following organisations.

- ❖ Leicester City Council
- ❖ Leicestershire County Council
- ❖ North West Leicestershire District council
- ❖ East Midlands Development Agency
- ❖ DS Associates (Diane Simpson)
- ❖ Leicestershire Chamber of Commerce/Business Link
- ❖ Eastern Shires Purchasing Organisation (ESPO)
- ❖ Wilson Bowden (Gareth Braithwaite)
- ❖ De Montfort University (Professor Monder Ram)
- ❖ Surestock
- ❖ IDeA Marketplace
- ❖ Ariba
- ❖ Biomni
- ❖ Marrakech
- ❖ Business Application Software Developers Association (BASDA)

We also interviewed the following SMEs

- ❖ Timbercare Nationwide
- ❖ Oliveti Construction Limited
- ❖ Vinamanda Fitness Services
- ❖ Leicester Playscape
- ❖ Amicare Domiciliary Services Limited
- ❖ Gayton Graham Limited
- ❖ Rowbotham Decorative Flooring
- ❖ Karen's Blinds
- ❖ FP Ironwork Limited
- ❖ First Alert Limited
- ❖ AlphaGraphics Limited
- ❖ Abel Alarm Limited
- ❖ Bond Modular Buildings Limited
- ❖ Bonser Building Contractors
- ❖ PC World (Leicester branch)
- ❖ City Digital
- ❖ AH Electrical Services
- ❖ Premier Road Surfacing
- ❖ Allenbuild Limited
- ❖ Elite Office Furniture Limited
- ❖ K C Johns limited
- ❖ Four Thinking Consultancy Group

WEBSITE REVIEW

This is a review of eight websites from companies featured in this research.

Some of these sites are professionally produced and well maintained and others are not. There are two common problems with most of these sites:

1. They do not work effectively on search engines. Some are not registered with engines at all. Even the professionally produced sites which can be found by company name, fail when you search for the product. This means customers who are looking for a supplier by product may not find them at all.
2. They lack immediate impact. Website viewers decide on what a website, and therefore the company, is about in the approximately 10 seconds. Therefore the design and positioning of selling messages, the corporate style and the text is critical. Few of these companies created a good first impression.

Olivet Construction

Attractive – hard to find – lacking in content

Website: www.oliveticonstruction.co.uk

This site looks professionally produced because it has the clean stylish artwork of a graphic designer. The site is listed on some search engines but doesn't register when you search for anything other than company name. Its significant use of graphics may make it slow to load for modem users. The site lacks useful content and commercial selling messages.

Rowbotham Decorative Flooring

Amateur site – hard to find – lacking in content

Website: www.rdflooring.demon.co.uk/

This is a basic looking website. The lack of domain name and design style suggests it's not professionally produced. There is a copyright statement dated 2000, which suggests the content is old. There is not enough commercial and product content to make the site worth reading. The front-page message is a technical statement about site usability. The site is not designed for, nor is it listed on search engines.

AlphaGraphics Leicester

Corporate site – basic content – listed on search engines – could be stronger

Website: www.alphagraphics.co.uk/stores/index3.php

This site is part of a professionally produced worldwide network of Alphagraphics sites. The corporate look and feel is consistent across

the world. Regional sites are easily found on search engines when you search for the company name. However if you are searching for products and services the site is not easily found. The site explains what the company does in minimal detail. It is easy to use and fast loading.

FP Ironwork

Nice simple site – Good content – hard to find

Website: www.fpironwork.co.uk

A simple nicely designed albeit basic site providing good information and photography with enough information to make a decision to contact the firm. The site is not very search engine friendly. A basic search on google for the product or company name brings no result. The site is not listed on major search engines. Navigation around the site is slightly confusing because it doesn't use common page names such as 'HOME'. The site has been updated this year.

Bond Modular Buildings

Attractive simple site – hard to find – a little hard to use

Website: www.bondmodular.co.uk

This is a clean, pleasant and simple looking site possibly created by a professional designer. It is fast loading. The site is not designed for, or listed on, the major search engines so customers may not find it. Whilst the indexing is simple, the site doesn't have an obvious homepage making navigation a little confusing. The placement of some important text and photography disappears off the bottom of the page when viewed on most computers.

City Digital

Poor site – hard to find - poor content

Website: www.city-digital-ltd.co.uk/

This site is not well designed. On the front page the layout is messy and the text doesn't say anything specific about the organisation. The page indexing is dark text on a dark background making it hard to find, therefore the site is almost impossible to use. It is not listed on major search engines. A Search for City Digital brings you to a competitors site. The site is designed using frames, a practice which is frowned upon by search engines. The site content is only partly populated.

Karen's Blinds

Good site – a little hard to find – good content

Website: www.karensblinds.co.uk/

An attractive and professional looking site which effectively promotes this business. Indexing is easy to use, photography is clear and the text is well written. Unfortunately the site is not written for search engines. The site is listed on some search engines but not the important google. It can be found through local directories, but not directly. The use of the letter 'ä', whilst correct, could reduce the chances of people finding the site from search engines when they write 'Karens Blinds'.

Abel Alarm

An effective site – a lot of humour – easy to use – good content - a little hard to find

Website: www.abelalarm.co.uk/

This is an effective, basic website with a strong focus on humour (which can sometimes be a commercial mistake). There are lots of cartoon animations, sales messages and trade body badges. The cartoon element suggests that this is a smaller company not a large organisation. It is easy to use with an obvious navigation system. The site is listed on major search engines but it doesn't work as effectively as it could do. For example searching for Abel Alarms will bring you to the site, but searching by product will not. The content appears up to date and interesting.