



Committee for Finance and Personnel
Northern Ireland Assembly
Committee Office, Room 419
Parliament Buildings
BELFAST
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26 February 2009

To whom it may concern

**Re: The Chartered Institute of Purchasing & Supply Northern Ireland Assembly
consultation response on the use of SMEs**

The Chartered Institute of Purchasing & Supply (CIPS) is an international professional membership organisation with 50,000 members in 150 countries. Dedicated to promoting good practice, CIPS provides a wide range of services for the benefit of members and the wider business community.

CIPS consulted its membership in order to form a response to the Northern Ireland Assembly report on Public Procurement and SMEs. A range of responses were received from members with EU Public Procurement experience of contracting with SMEs.

CIPS position on contracting with SMEs

Small and medium size (SME) businesses are a significant part of most economies, and an important factor in ensuring varied, competitive and innovative supply markets. Whilst SME suppliers offer many opportunities to larger organisations and vice versa, there are often barriers – both real and perceived – to doing business. There has never been a shortage of supportive words for SMEs, but there has often been a shortage of supportive action.

Whilst there is an increasing awareness in many sectors that SMEs have much to offer as suppliers, there is often a disconnect between SMEs and larger organisations, including the public sector, in their attempts to do business. Both parties need to understand what these barriers are, and to commit to overcoming them.

Understanding why SME's have been under utilised in the past

- A drive for organisations to consolidate spend and reduce their supply base
- Product and service standardisation projects

- Security of supply – in particular with an over-reliance on standards, certifications, complex quality standard systems and, in some cases, lengthy historical financial data.
- Complex processes with little guidance

However, it is worth noting that some of these barriers are often perception rather than reality. For example, buyers have a perception that SMEs can pose more of a risk than larger organisations, and SMEs often do not ask for help when completing their invitation to tender (ITT) because they do not think that they can, or that it will reflect badly on them. Some SMEs also anecdotally hear that it is difficult to win public sector contracts so they often eliminate them from their business plans automatically.

CIPS is supportive of initiatives that provide a level playing field for SMEs to contract with the public sector. We believe that areas for immediate action include:

Ease of access – Supplier portals are a successful way of making information more available and accessible to SMEs. The Olympic Delivery team has created a portal for buyers and suppliers to review bidding opportunities. The CompeteFor website is intended to match companies to opportunities in the London 2012 supply chain providing a level playing field for organisations of any size to compete for the £6bn of Olympic work. This model is being reviewed and could possibly become a model of excellence to be rolled out throughout the public sector. CIPS believes that the use of technology should be deployed where appropriate in order to simplify and speed up the process.

Collaboration – The CompeteFor website also allows suppliers to seek partners in order for them to compete for larger pieces of work. CIPS believes that this is a mechanism that will increase the opportunities for SMEs to contract with the public sector. Sellafield Ltd, set up a supplier ombudsman to, amongst other things, act as a facilitator to put similar small suppliers in touch with each other in order to collaborate and jointly tender for Sellafield contracts. This was set up after a large scale review to consolidate and reduce their supply base and acted as a way to keep some of those suppliers on board. CIPS suggests making awarded contracts more publicly available could allow SMEs access at the second tier supplier level.

Under the threshold notices – CIPS would encourage a wider publication of those notices that fall under the EU thresholds in order to attract SMEs at a lower level entry.

Guidance – Information on how the public sector procurement processes work is available from many sources. BERR have recently launched a “Solutions for Business” which is a streamlined portfolio of publicly-funded business support products that organisations can access through Business Link. The idea is to provide a single source of information to avoid confusion. CIPS is supportive of clear guidance written from the supplier’s viewpoint in plain English. The use of jargon and acronyms should be avoided as much as possible and examples used wherever relevant. As well as a central, independent, source of information, contracting departments should signpost their suppliers to this available resource and provide an internal contact to answer any supplier queries.

Training – Guidance material is often laborious and difficult to understand. On some occasions training will be required. CIPS is in favour of buyers providing training to their suppliers on how to best compete for the work. This may be through ‘Meet the buyer’ events, workshops, on-line tutorials or by putting successful suppliers in touch with prospective ones (where there isn’t a conflict of interest) to coach and share experiences.

Realistic requirements – Often SMEs are excluded, or feel excluded from public procurement contracts due to requirements being set too high. Careful consideration should be used when using standards, certification, length of financial history, company turnover etc so as not to exclude potential suppliers. Consideration should also be made to a supplier's business experience outside of the public sector, and alternative standards and accreditations at the evaluation stage. Requirements should reflect the contract value and be assessed on a case-by-case basis and specifications should be more outcome-based to encourage innovation.

Communication – Clear and transparent processes and requirements are essential, as is a point of contact for the suppliers to use, and encouraged to use. Often suppliers think they may be put at a disadvantage or even unaware that they can make contact with the buying organisation during this pre-contracting phase. Keep your suppliers regularly updated and provide a clear timetable of events.

Feedback – Assist both successful and unsuccessful suppliers with open and honest feedback; and also request feedback from your suppliers on the process in order to make adjustments for next time. Consider completing a frequently asked questions document off the back of any feedback given and received in order to assist future ITT processes.

Trained Professionals – CIPS believes that professionally trained procurement people should be at the forefront of delivering these initiatives. Research shows that the majority of large organisations now have a Chief Procurement Officer (CPO) on the executive management team, and that there is a correlation between professional procurement and profitability. In the case of the public sector this translates into increased value for money.

The SME market has considerable value to bring to the public sector, through innovation, agility, speed to market to mention but a few examples. As mentioned before, much research has been carried out and recommendations made; the implementation of these initiatives is the biggest challenge. CIPS would recommend implementing regular reporting and monitoring of the progress of any initiative set, as well as regular contact with SMEs to constantly review and improve the process.

Please do not hesitate to get in touch with us if you wish to discuss these issues in more detail.

Regards

A handwritten signature in black ink, appearing to read 'R. Ayliffe', written in a cursive style.

Roy Ayliffe
Director of Knowledge and Representation
The Chartered Institute of Purchasing & Supply