Opportunities and Barriers to Consortia Bidding for Public Sector Contracts
OPPORTUNITIES AND BARRIERS TO CONSORTIA BIDDING FOR PUBLIC SECTOR CONTRACTS

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The views expressed in this report are those of the researcher and do not necessarily represent those of the Scottish Government or Scottish Ministers.
# Table of Contents

ACKNOWLEDGEMENTS 6  
EXECUTIVE SUMMARY 1  
  Introduction 1  
  Background 1  
  Terminology 1  
  Collaborative Processes 2  
  Opportunities for, and Benefits of, Collaborating 2  
  Barriers to Bidding Collaboratively for Public Sector Contracts 3  
  Encouraging Collaboration for Public Sector Contracts 5  
  Conclusions and Recommendations 8  
1 – INTRODUCTION 10  
  Setting the Scene 10  
  SMEs, SEs and Consortia Bidding - Policy and Practice Context in Scotland 11  
  Study Aims and Objectives 12  
  This Report 12  
  Definitions: A Brief Note 13  
2 – STUDY APPROACH AND METHODOLOGY 15  
  Summary of study methods 15  
  Samples 15  
  Limitations of the research 15  
3 – SUMMARY OF THE LITERATURE REVIEW 16  
  SMEs, SEs and Public Procurement 16  
4 – OPPORTUNITIES AND BARRIERS TO CONSORTIA BIDDING 18  
  Collaboration 18  
  Terminology and Understanding of ‘Consortia’ and ‘Collaboration’ 18  
  Collaborative Processes 20  
  Identifying Potential Collaborators 20  
  How To Collaborate Successfully 20  
  Opportunities for, and Benefits of, Collaborating 22  
  Reasons to Collaborate 22  
  Awareness of, and Propensity to, Collaborate 22  
  Greater Identification of Opportunities 23  
  Decision Making 24  
  Critical Factors for Successful Collaboration 24  
  Importance of Public Sector Contracts to SMEs and SEs 25  
  Barriers to Bidding Collaboratively for Public Sector Contracts 26  
  Overview of Barriers 26  
  Organisational and Cultural Barriers 27  
  The Logistics of Collaborating 28  
  Contract Scope 28  
  Perceptions of the Public Sector Procurement System 29  
5 – ENCOURAGING COLLABORATION FOR PUBLIC SECTOR CONTRACTS 37  
  Existing Support for Collaboration 37  
  Opportunities for Greater Support for Collaboration 38  
  Information provision: 40  
  Light-touch, one-to-many support 42  
  Practical Advice 42  
  Intensive, one-to-one support 43  
  Paying for the Provision of New Opportunities 44
Perceived Impact of Greater Support for Collaboration 45
Responsibility for Delivering New Opportunities 45

6 – CONCLUSIONS AND RECOMMENDATIONS 47
Opportunities 47
Barriers 47
Support to encourage consortia bidding 48
Recommendations 49
Opportunities for Quick Wins 50

REFERENCES 51
Alphabetical 51
Thematic 57
SMEs and Procurement 57
Public Procurement 58
Scotland Specific Documents 59
SME Collaboration 60
Social Enterprise Collaboration 61
International Documents 61

APPENDIX 1 – LITERATURE REVIEW 63
SMEs, SEs and Public Procurement 63
The Landscape – The Importance of Public Procurement 64
The Issues: A Review of the Reviews 64
Understanding How SMEs and SEs Procure Public Sector Contracts 66
The Challenges and Opportunities 67
Collaboration and Consortia Bidding – Types, Structures and Strategies 69
Consortia Bidding – Barriers and Challenges 71
SMEs, SEs and Consortia Bidding in Scotland 73
The Legal Framework 73
Scotland Pre-McClelland Review (2006) 74
The McClelland Review of Public Procurement in Scotland 76
Public Procurement Reform Programme 77
Source: Procurement Scotland 79
Procurement Policy 80
Consortia Bidding for Public Sector Contracts in Scotland 81
Collaboration Activity in Scotland 82

APPENDIX 2 – METHOD AND SAMPLE STATEMENT 84
Stage One 84
Literature review 84
Key Representative body Interviews 84
Stage Two 85
SME and Social Enterprise Depth Interviews 85
Analysis and Interim Reporting 86
Workshops with SMEs and Social Enterprises 86
Analysis and Final Reporting 86
Limitations of the research 87

APPENDIX 3 – REPRESENTATIVE BODY TOPIC GUIDE 88

APPENDIX 4 – SME/SE INTERVIEW GUIDE 90

APPENDIX 5 – SMES AND SES WHO PARTICIPATED 94
(NB This only lists those willing to be identified)
Social Enterprises 94
Small & Medium Sized Businesses 94
Tables and Diagrams

TABLE 1: SUMMARY OF SUPPORT TO ENCOURAGE COLLABORATION FOR PUBLIC SECTOR CONTRACTS (IN RANK ORDER) 6
TABLE 2: SME/ SE PERCEIVED BARRIERS TO COLLABORATION 17
TABLE 3: CRITERIA FOR SUCCESSFUL CHOICE OF PARTNERS 20
TABLE 4: MAIN BARRIERS TO COLLABORATING 26
TABLE 5: OTHER BARRIERS TO COLLABORATION 27
TABLE 6: IDENTIFIED SUPPORT 37
TABLE 7: SUMMARY OF SUPPORT TO ENCOURAGE COLLABORATION FOR PUBLIC SECTOR CONTRACTS (IN RANK ORDER) 39
DIAGRAM 1: SUPPORT REQUIREMENTS FOR COLLABORATION 40
DIAGRAM 3: PUBLIC SECTOR SUPPLIER CATEGORIES 79
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EXECUTIVE SUMMARY

Introduction

The Scottish Government commissioned Wood Holmes Group in November 2008 to undertake a study into opportunities and barriers faced by Small and Medium Enterprises (SMEs) and Social Enterprises (SEs) in bidding as consortia for public sector contracts in Scotland and recommend a strategy to encourage consortia bidding in Scotland.

The study methodology comprised a literature review and qualitative research. The literature review considered a range of studies both within and beyond Scotland, but with Scotland as its primary focus. The qualitative research included; depth interviews with 10 key representative bodies, drawn from employer bodies, the voluntary sector, social enterprise, local authorities, enterprise agencies and sector specific organisations; depth interviews with 13 Social Enterprises and 37 SMES and workshops with 12 Social Enterprises and 12 SMEs – all based in Scotland.

The specific aims of the research were to understand:

1. The extent to which SMEs and social enterprises view consortia formation as a barrier in their willingness to engage in public sector contracts
2. What the current practice is for consortia bidding for both public and private sector contracts and across different countries
3. Where consortia bidding has worked in Scotland (or beyond) and what were the key success factors
4. What the barriers (perceived and real) to consortia bidding are, and how they have been overcome
5. What current support is available – both public and private sector – for organisations (and especially SMEs and SEs) wishing to embark on consortia bidding and whether this varies by geography or by sector
6. What additional support might be made available to inform and support future consortia bidding opportunities.

Background

Terminology

Consortia\(^1\) are viewed as more formal than collaborations and are not considered to be the same as collaborations by the majority of SMEs & SEs contacted. Indeed they were often perceived as ‘a step too far’. The term collaboration was therefore used throughout the fieldwork. Consortia, as the generic terminology, as been retained in the report and should be understood as encompassing a full range of formal and informal relationships.

\(^1\)’Consortia’ is the term used in the Public Contracts (Scotland) 2006 Regulations, paragraph 28 and is defined there as “two or more persons, at least one of whom is an economic operator, acting jointly for the purpose of being awarded a public contract”. The regulations go on to define how consortia should be considered in the procurement process. (http://www.opsi.gov.uk/legislation/scotland/ssi2006/20060001.htm#28)
SMEs and SEs typically describe collaboration as simply ‘working together’, and/or for SEs, ‘sharing knowledge’. However whilst the majority of SMEs and SEs include main contractor-subcontractor relationships within collaborations, ‘true collaborations’ are defined by the equality, depth and quality of relationships between the organisations forming the collaboration.2

There does not appear to be a common understanding of the term ‘collaborate’ amongst representative bodies.

**Collaborative Processes**

The need to identify the right partners was a critical early stage in creating a consortia bid. The importance of relationships was emphasised by both SMEs and SEs:

- The SEs contacted typically referred to the existence and quality of relationships and a good understanding of the other partners as a precursor to collaborating. Stronger relationships appeared to be related to less formal processes and a greater willingness to collaborate.
- The majority of SMEs contacted appeared to have a very flexible, informal and ‘opportunistic’ approach to collaborating, with few standard processes in place. This informality appears to correlate with the strength of their existing relationships with partners.

Given that each collaboration may be specifically created in response to a particular set of contract needs, the desire to have reliable, trusted partners in place to be able to bid and deliver effectively implies the need to invest time to develop such collaborations.

Representative bodies reiterated the SME/SE view, that collaboration processes depend on the type of project and the type of relationships involved, although representative bodies expected one party to lead the process.

**Opportunities for, and Benefits of, Collaborating**

SEs and SMEs had previously collaborated primarily in order to extend the range of skills and/or capacity and/or geographical coverage they could offer.

Opportunities for consortia bidding were determined by SMEs and SEs on the basis of their ability to deliver (either solo or in collaboration) and on the economics of the contract (in terms of potential profile, profit and costs). SMEs also typically considered the likelihood of winning the tender; whilst SEs also tended to consider the project’s strategic fit.

SEs and SMEs identified the quality of relationship as the main criterion for a successful collaboration, suggesting that opportunities for collaboration would be actioned where good relationships exist. Other criteria included additionality; complementary skills; trust; commitment to sharing; fairness; excellent communication; simple processes; and setting clear boundaries.

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2 A true collaboration is where each of the collaborating parties has an equal voice in the bid’s development and contract delivery and where they are fully supportive of each other.
Responding SMEs and SEs regard public sector contracts as vitally and increasingly important and some SEs regard successful public sector tendering as critical to their future existence. Therefore it can be inferred that they should be open to considering accessing public sector contracts through consortia bidding.

**Barriers to Bidding Collaboratively for Public Sector Contracts**

The research identified a range of barriers to SMEs and SEs bidding collaboratively for public sector contracts, the most important of which have been grouped into four themes around (1) organisational and cultural barriers: (2) the logistics of consortia; (3) contract scope; and (4) perceptions of the public sector procurement system.

**Organisational and cultural barriers**

- Many SMEs and SEs were unwilling to lose control through collaborating. This included a fear of losing direct contact with the client for both relationship building and for payment.
- Many SMEs and SEs simply do not consider the opportunity to collaborate in order to bid for a contract as they think only in terms of their solo offer, or they prefer to bid/deliver alone.
- Concern about potentially imbalanced collaborative partnerships and workloads.
- A belief that a ‘true collaboration’ is definitely not the same as a main contractor-subcontractor relationship and there is an associated concern that the public sector thinks it is the same.
- Very limited evidence of successful collaborations, other than main contractor-subcontractor relationships.

**The logistics of collaborating**

- Lack of established relationships and the associated lack of trust amongst potential collaborators.
- Difficulty in establishing and maintaining effective communications within consortia and the associated resource implications – this may be exacerbated by geographical considerations.
- Resource implications of bidding collaboratively – particularly staff time required to identify potential partners and pull together collaborative bids and the associated paperwork (such as accounts, policies, CVs, track records) together – again this may be exacerbated by geography.
- Lack of existing support to promote and encourage SMEs and SEs to collaborate for public sector work.

**Contract scope**

- SMEs and SEs were very negative towards the Public Procurement Reform Programme (PPRP) reforms, particularly about the trends towards economies of scale as a barrier to equal access for SMEs. Specifically, they did not regard collaborative bidding as the solution to winning contracts where demand has been aggregated. There were concerns that public
sector contracts would continue to grow in size so collaborations could not keep up with the scale of demand. Instead, SMEs and SEs considered that there was a shortage of smaller contracts published.3

- Where the contract’s geographic scope extends beyond that normally covered by the supplier, this acts as a barrier for some SMEs.
- Unclear contract specifications and inability to talk to the specification staff often formed a barrier to bidding.

**Perceptions of the public sector procurement system:**

- Current public sector procurement processes and staff were perceived to particularly discourage consortia bids by the majority of SMEs and many representative bodies. Indeed the consensus among both SMEs and SEs was that the PPRP changes had ‘led to extra barriers’ for smaller bidders and that addressing the public sector procurement process and staff issues outlined below is vital to encourage and support collaborative bidding. However, it was also clear that there was a need to address misunderstandings of how public procurement operates.

- Representative bodies were typically supportive of the principles of the PPRP reforms but did not perceive them as encouraging SMEs and SEs to bid either collaboratively or solo. This is partially due to the potentially conflicting agendas of cost saving; sustainability/ social/ economic impact; and SME/SE growth and share.

- Collaboration itself is considered to be a barrier to public sector bidding by SMEs and SEs because of the increased workload in creating a coherent and comprehensive consortia bid.

- Public sector **process barriers** to collaborative bidding include:
  - The public sector tendering process which is perceived to be too onerous, time consuming, slow to make decisions, require ‘lots of paperwork’ and company policies to be in place, and to be ‘against SME collaboration’.
  - Examples of specific issues faced by collaborations when bidding on individual contracts with a variety of procurers include: allowing only the lead bidder’s turnover to be included rather than the whole group’s combined turnover;4 requiring the track record of the specific collaboration rather than the relevant track records of each member of the collaboration; requiring every party’s Health and Safety policy etc.; being ‘marked down’ where one member of the collaboration does not have an adequate policy, even though it may be perceived as irrelevant to their particular specialism. These examples reflect common experience, suggesting there is no difference by sector.
  - Inadequate feedback (in terms of useful depth of information provided)

- Public sector **staff barriers** to collaboration include:

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3 Although there is no evidence to this effect.
4 Regulations allow consortia to pool resources, see Regulations .24(4)
• The perception that public sector commissioners are ‘not keen’ on collaborations\(^5\).
• Highly professional public sector procurement staff who are perceived as ‘largely incompatible’ with SME/SE suppliers and biased in favour of major ‘branded’ suppliers – largely due to risk aversion.
• Inconsistency in applying procurement ‘rules’ in practice

• The vast majority of SMEs and SEs thought e-procurement was helpful in terms of enabling easier identification of opportunities, but had made the process of bidding more difficult. Whilst the majority of SMEs/SEs suggested that any organisation that could not handle electronic systems was ‘on its way out’ and that systems should not have to cater for such ‘luddites’, some representative bodies considered that not all SMEs/SEs (especially the smaller ones) were perceived as being ready to cope with electronic based systems.

• When SMEs and SEs were asked about their awareness of the opportunity and their willingness to bid collaboratively, it was apparent that both are limited by their perception that public sector procurement staff and processes prefer dealing with a single major supplier over a consortia. In comparison, despite being largely unaware of collaborations between companies to bid for work, representative bodies expected both SMEs'/SEs' awareness of the opportunity and their willingness to collaborate to grow.

• In addition to the above, the literature review raised: lack of clarity over contractual matters; ‘just-in-time’ sourcing; and sub-contractor margin ‘squeeze’ as barriers to collaboration.

Encouraging Collaboration for Public Sector Contracts

Relatively little existing support for collaborating was identified by both representative bodies and SMEs/SEs, although it seems that this is changing as representative bodies are becoming more actively involved in relationship building and bidding advice activity.

Whilst the main suggestions to encourage collaborative bidding broadly covered similar areas, the emphasis placed on each aspect differed markedly between representative bodies and SMEs/SEs. Their suggestions are summarised in Table 1 that follows:

\(^5\) Counter to Regulations Paragraph 28(2)
Table 1: Summary of Support to Encourage Collaboration for Public Sector Contracts (in rank order)

<table>
<thead>
<tr>
<th>SMEs &amp; SEs</th>
<th>Representative bodies</th>
</tr>
</thead>
<tbody>
<tr>
<td>More collaborative-friendly (and SME/SE-friendly) public sector procurement system</td>
<td>Highlight examples of successful collaboration</td>
</tr>
<tr>
<td>Raising awareness of opportunities</td>
<td>Initiatives aimed at encouraging relationships to develop</td>
</tr>
<tr>
<td>Criteria for selection of the winning tender to better reflect the impact of high quality delivery outcomes and the effect on the local market(^6)</td>
<td>Intensive support for enabling collaborations and collaborative bids</td>
</tr>
<tr>
<td>A range of practical, proactive support activity – from simple information provision and light-touch one-to-many support: through to intensive one-to-one support – all of which should be tailored to the needs of each sector</td>
<td>Clarifying the government’s perceived mixed messages to the market(^7)</td>
</tr>
<tr>
<td></td>
<td>Greater use of social clauses in ITTs</td>
</tr>
</tbody>
</table>

The SEs and SMEs strongly considered that the public sector had to address the perceived procurement system barriers identified above, before starting to provide any support for collaborative bidding.

Whilst there is clear evidence of successful main contractor – subcontractor relationships, it may prove difficult (in the short term at least) to provide examples of successful ‘true’ collaboration, as very few examples or case studies have been identified either from the literature review or through the primary research.

The SMEs and SEs regarded it as necessary to provide a full range of information provision, light touch and intensive support as SME/SE needs depended on their level of experience and sophistication as well as on their particular sector:

**Information provision:**

- Supplying leads which are tailored specifically to the individual SME’s particular skill set, sector and geography – although the vast majority of SMEs and SEs contacted typically considered that their existing lead generation processes were effective
- Provision of information such as ‘How to’ guides for developing and managing a collaboration and for constructing a consortia bid
- Providing a greater depth and quality of feedback to bidders
- Evidencing successful consortia bids would increase the willingness of SMEs and SEs to bid collaboratively for public sector contracts in future
- Representative bodies thought information should not promote only the advantages, but also highlight the potential risks of collaboration

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\(^6\) European Treaty Principles demand equal treatment of suppliers - giving everyone the same chance to win the contract irrespective of their nationality or whether you know them or not. Selection criteria cannot take account of local factors. (See [http://www.scotland.gov.uk/Publications/2008/10/27105954/2](http://www.scotland.gov.uk/Publications/2008/10/27105954/2))

\(^7\) I.e. On the one hand wanting to achieve economies of scale in purchasing and on the other wanting to help local SMEs and SEs to grow through delivering public sector contracts
**Light-touch, one-to-many support:**
- Assistance in identifying potential partners – e.g. networking
- Workshops to upskill SMEs and SEs both in effective collaboration and public sector bidding in collaboration
- Promoting the benefits of collaboration proactively

**Intensive, one-to-one support:**
- Bespoke, hands on consultancy for (a) collaborating and (b) consortia bidding
- The public sector working jointly at pre-tender stage with SMEs and SEs to identify the need (as the basis for the contract specification) together\(^8\)
- The representative body acting as a supply side aggregator, where the representative body effectively pulls together the collaborative group and offers a whole package – for practical purposes acting as a joint venture

The majority of representative bodies considered that e-procurement, and specifically the single portal, would be helpful for most SMEs/SEs in driving collaboration for public sector contracts.

Should support for collaboration be made available, SMEs’ and SEs’ views about paying for support ranged from no fee at all through to a fixed fee or hourly rate or success based commission. Indeed there was a perception that the Scottish Government would demonstrate their seriousness about supporting SMEs by making the investment free/minimal for SMEs.

SMEs and SEs would typically judge whether or not any support had been worthwhile on the basis of whether or not the contract was won; achieving good feedback; learning from the process; improving processes & bid quality; identification of collaborators; and strengthened relationships. They would additionally judge it on the basis of its targeting.

If additional support was available to SMEs and SEs, representative bodies typically expected it to increase the number and success rate of consortia bids and thus eventually positively impact the successful companies’ sales revenue, employment and sustainability.

The SMEs and SEs were typically unsure which organisations would be the most appropriate to assist them in collaborating, but suggested: their clients; Business Gateway; local enterprise companies; and Scottish Enterprise. Representative bodies broadly corroborated this, highlighting the existing umbrella and business support organisations, plus Scottish Enterprise.

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\(^8\) Again principle of equal treatment would apply.
Conclusions and Recommendations

The research found evidence to support both the opportunities of consortia bidding, and also the barriers where more support is needed. A summary of suggested strategies in response to these follow.

Opportunities

The benefits of consortia bidding were typically recognised as adding value to a bid (either through additional skills or capacity) and increasing the chance of winning a bid and consortia bidding is believed to be well established in some sectors, perhaps providing case studies if the nature of the consortia is perceived to be more collaborative than a straight main contractor-subcontractor relationship.

However most SMEs and SEs appear to work in main contractor – subcontractor relationships and relatively few appear aware or willing to collaborate, suggesting a need to increase SMEs’ and SEs’ awareness of consortia bidding and its benefits, perhaps through representative bodies.

Barriers

The research identified a range of barriers to consortia bidding for public sector contracts across a number of key themes: organisational and cultural barriers, the logistics of collaborating, contract scope and perceptions of the public sector procurement process.

Organisational and cultural barriers relate to attitudes towards forming consortia. The term ‘consortia’ is itself a barrier to SMEs and SEs, who consider this to be different to other forms of collaboration. There is a lack of consideration to forming consortia, but where it has been considered there is also a reluctance to do so, primarily due to lack of trust and existing relationships.

The logistical barriers include: identifying suitable partners and building relationships of trust; and pulling consortia bids together within the response timescale. This suggests that interventions aimed at assisting SMEs and SEs to identify potential partners and to speed up the process of bidding collaboratively may encourage consortia bidding. However the nature of these barriers also suggests the need to give reasons for SMEs and SEs to collaborate as an incentive to overcome these barriers.

Contract scope both in terms of the perceived trend towards increasingly larger contracts and poor or unclear contract specifications formed a major barrier. SMEs and SEs felt that forming consortia was not an adequate response to larger contracts and allowing a discussion with the specifier would resolve any specification misunderstandings.

Negative perceptions of the public sector procurement system, specifically a range of process and staff issues, formed a considerable barrier to consortia bidding and imply the need to improve relations between suppliers and purchasers, perhaps through staff training about SMES/SEs and consortia, provision of information and other activity to improve purchasers’ and bidders’ appreciation of each others’ contexts.
Support to encourage consortia bidding

The study identified that it is likely that in addition to overcoming the public procurement system barriers; it will be necessary to develop and provide a range of tailored support to SMEs and SEs for collaborative bidding. In addition to providing information, guidance and direct practical support for collaborating, it needs to address the lack of understanding of the procurement and consortia bidding process and raise awareness of the benefits of, the range of support for, and the opportunities for, collaborative bidding.

Recommendations:

Based on the evidence from this research there are a number of possible actions that could usefully form the basis of a strategy to encourage consortia bidding. It is likely that representative organisations will have an important role to play. The strategy needs to encompass:

- A consistent communications campaign to: raise awareness of the opportunities for, and the benefits of, collaborating and for available support for collaborating; address erroneous negative perceptions of the public sector procurement process and the term ‘consortia’; and improve bidders’ and purchasers’ understandings of each others contexts – perhaps through work shadowing.

- Working with SMEs and SEs to address the identified systematic issues.

- Providing guidance to purchasers to help in assessing consortia on the same basis as single suppliers.

- Providing a full range of guidance and tailored support to SMEs and SEs for collaborating and consortia bidding.

Many of the above suggestions could form quick wins, such as: explaining, promoting and welcoming consortia bids; increasing response times where possible; improving the depth and quality of feedback; communicating planned changes; developing some support materials such as case studies; and shadowing public sector procurement and private/third sector bidding roles.

A mid-programme review of the PPRP implementation to date is currently underway. It is therefore quite likely that a number of the recommendations that are made above have already been taken into account.
1 - INTRODUCTION

Setting the Scene

1.1 Over the last ten years, the issue of how the public sector can enhance the efficiency and effectiveness of the ways in which it procures services has steadily progressed up the public policy agenda, at both a national and supra-national level.

1.2 In response to a number of drivers, such as a desire to achieve value for money in the procurement of public services, as well as stimulating competition and innovation, both governments in the UK (as well as the majority of other developed market economies) have instigated a number of reviews and introduced a range of initiatives and programmes to address the challenges and opportunities encountered by different groups of businesses in accessing procurement opportunities.

1.3 Since the early 2000s, there has been a particular emphasis within such public policy efforts on supporting small and medium enterprises (SMEs), and most recently social enterprises and third sector organisations, in procuring public sector contracts (Smallbone et al., 2008). Whilst identifying certain areas of improvement and pockets of effective practice, both the McClelland (2006) and Glover (2008) Reviews of public procurement reforms in Scotland and England respectively identified that much more needs to be done to create a level playing field between smaller enterprises, social enterprises and larger concerns in accessing public sector procurement opportunities (Commission of the European Communities, 2008).

1.4 In part, the call for further policy action and intervention reflects an inherent issue with smaller businesses, namely their size. McClelland (2006) argued that private enterprises in Scotland should benefit from public sector procurement in order to grow. Despite the diversity within the SME sector in the UK, there is a degree of consensus that the limited resource base of such businesses provides a critical challenge in either identifying or responding to specific procurement opportunities (Wood, 2004; Scorecard Working Party, 2008). In response, this has led to an interest in the potential opportunities for SMEs (and third sector organisations) to form consortia with other SMEs or other businesses to procure services from the public sector. For example, the McClelland review (2006, p.39) noted that ‘one of the most significant opportunities that exists is the one of collaboration across the sector. There are many advantages’. However, this emergent area of policy interest and the perceived benefits may not translate into a commensurate level of activity within the SME community:

‘We also have some more general concerns in terms of whether aggregation is always well considered, and while there are some ‘best practice’ examples, we do not feel that consortia … always deliver competition and value … It is likely that more SMEs will need to focus on becoming 2nd tier suppliers to prime contractors. The alternative is for SMEs to aggregate themselves into larger groups, although that seems a difficult task’ (Smith and Hobbs, 2001, p. 3).
1.5 Glover (2008) highlights that there is a lack of robust evidence base as to the extent and nature of any existing collaborative activity, the challenges and opportunities faced by SMEs in collaborating with other businesses and the types of support required to underpin effective working with others (Glover, 2008).

1.6 Indeed, this study confirms that there are relatively few articles and publications which focus on SMEs or SEs working in consortia to access public sector contracts. Instead, insights as to why and how SMEs and SEs may work together have to be inferred from the wider literature on business collaboration and relationships.

SMEs, SEs and Consortia Bidding - Policy and Practice Context in Scotland

1.7 Since 2004, a number of government backed reports, reviews and initiatives have highlighted the opportunity to generate better value and efficiencies in public sector contracting through improvements in public sector procurement, specifically highlighting collaboration and eProcurement. These have included The Building a Better Scotland report in June 2004, the 2006 McClelland review and the 2007 Public Procurement Reform Programme (PPRP).

1.8 McClelland (2006) referred to improvements in public sector procurement, but considered that there were still areas of weakness that needed to be addressed. He also argued that private enterprises in Scotland should benefit from public sector procurement in order to grow.

1.9 The PPRP has already led to substantial changes, including categorising commodities and services according to their interface with the public sector; setting up several Centres of Expertise across Scotland; and the provision of a number of resources for bidders and suppliers.9

1.10 This activity has led to examples of effective collaboration amongst the purchasing authorities, but the impact of such policies and support has been questioned (e.g. by the Scorecard Working Party and CBI in 2008). Specifically there is limited evidence in the literature that points to initiatives that have been introduced in Scotland to promote and encourage collaboration amongst suppliers. However, this may change with the ongoing activities of the wider public sector to promote and encourage collaboration.

1.11 Equally, there is a landscape of a lack of depth of understanding surrounding SMEs and social enterprises collaborating to supply services to the public sector.

1.12 Wood Holmes Group were commissioned by the Scottish Government in November 2008 to address this gap in current thinking and practice within the Scottish policy context by undertaking a study to identify the opportunities and barriers to consortia bidding for public sector contracts for small and medium enterprises (SMEs) and social enterprises (SEs).

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Study Aims and Objectives

1.13 The overall aim was to explore the opportunities and barriers for SMEs and Social Enterprises to consortia bidding for public sector contracts.

1.14 This research aimed to understand:

- To what extent SMEs and Social Enterprises (SEs) view consortia formation as a barrier in their willingness to engage in public sector contracts
- What the current practice is for consortia bidding for both public and private sector contracts and across different countries
- Where consortia bidding has worked in Scotland (or beyond) and what were the key success factors
- What are the barriers (perceived and real) to consortia bidding, and how they have been overcome
- What current support is available – both public and private sector – for organisations (and especially SMEs and SEs) wishing to embark on consortia bidding and whether this varies by geography or by sector
- What additional support might be made available to inform and support future consortia bidding opportunities.

1.15 A key output from this study was to recommend strategies for encouraging consortia bidding in Scotland.

This Report

1.16 This report summarises the key issues to emerge from this study of the opportunities and barriers to consortia bidding for public sector contracts. It considers how these findings can be used to support SMEs and SEs in working collaboratively to access public sector procurement opportunities.

1.17 The report draws upon four key sources of evidence: the outcomes from a review of current literature on SMEs, SEs and public procurement; depth interviews with representative bodies involved in supporting or influencing SME development and public sector procurement in Scotland; depth interviews with SMEs and SEs; and workshops with SMEs and SEs.

1.18 There are five key chapters to the report, plus Appendices:

- **Chapter 1 – Introduction**: Sets the context to the study, as well as outlining the study aims and approach and methodology
- **Chapter 2 – Study Approach and Methodology**: Provides an overview of the approach, methodology and methods of investigation adopted in undertaking the study
- **Chapter 3 – Key Points to Emerge from the Literature Review**: Please note that the full literature review is contained in Appendix 1. There are two key parts to the review of current literature. The first part is about access to procurement and about forming consortia to access procurement. The second part assesses the barriers and opportunities to
SMEs and SEs in Scotland in accessing public procurement opportunities through consortia bidding

- **Chapter 4 – Opportunities and Barriers to Consortia Bidding** - Reflects upon the key insights to emerge from the interviews with SMEs, SEs, experts and representative bodies either influencing or supporting SMEs and public procurement

- **Chapter 5 – Encouraging Collaboration for Public Sector Contracts** - Identifies the suggestions from SMEs, SEs, experts and representative bodies to encourage SME/SE collaboration for public sector contracts

- **Chapter 6 – Conclusions and Recommendations** Summarises the key issues to emerge from the findings and their implications and outlines a set of recommendations.

**Definitions: A Brief Note**

1.19 A brief review of current literature identifies that there is a lack of agreement as to what constitutes a number of the key concepts or ‘terms’ that are core to the study including small and medium enterprises, social enterprise, consortia bidding and public sector. For example, small business and SME are often used interchangeably when referring to different organisational entities and public sector procurement is often not explicitly defined, which hinders comparing experiences around effective practices.

1.20 A separate report would be required to review the development of the key concepts underpinning this study. However, in order to ensure a consistent baseline in interpretation of the findings from the study, the following definitions will be used throughout the report when referring to:

- **A small business** – The standard EU definition is a business with less than 50 employees. It can also be understood as a set of characteristics and traits which describe a culture associated with being small, and which may impact upon attitudes and perceptions towards accessing procurement opportunities from the public sector and/or working with other businesses

- **An SME** – A business which employs less than 250 employees and has an annual turnover or balance sheet total of less than 50 million or 43 million euros respectively (see http://ec.europa.eu/enterprise/enterprise_policy/sme_definition/index_en.htm)\(^\text{10}\)

- **A social enterprise** – An organisation with primarily social objectives where any surpluses are re-invested for that purpose in the business or for the benefit of the community (see www.cabinetoffice.gov.uk/third_sector/socialenterprise)

- **The public sector** – The element of the economy which comprises the central government sector, as well as other public bodies such as local authorities, the NHS and associated agencies, universities and further education colleges

\(^{10}\) Within the Scottish policy context, the Scottish Procurement Directorate uses a more generic definition of a SME as a business which employs less than 250 employees.
• **Public procurement** - The acquisition, whether under formal contract or otherwise, of goods, services and works from third parties by contracting authorities. This can range from the purchase of routine supplies or services, to formal tendering and placing contracts for large infrastructure projects by a wide and diverse range of contracting authorities (see www.scotland.gov.uk/Publications/2008/12/23151017/0)

• **Consortia bidding** – The process of a business working with one or more other businesses in identifying and responding to a procurement opportunity. Consortia are viewed as more formal than collaborations by the majority of SMEs & SEs contacted.

• **Collaboration** – defined by Scottish Government as two or more organisations working together to bid for, and/or deliver contracts in any arrangement, including main and subcontractor relationships
  - defined by representative bodies as acting together in a variety of different ways which implicitly involve a diverse range of relationships
  - defined by SMEs/ SEs as ‘working together’
  - also defined by SEs as ‘sharing knowledge’ typically in a ‘partnership’

• ‘True collaboration’ – defined by SMEs/ SEs as where each of the collaborating parties has an equal voice in the bid’s development and contract delivery and where they are fully supportive of each other

• **Collusion** - two or more organisations conspiring together in secret in order to do something illegal or underhand
2 – STUDY APPROACH AND METHODOLOGY

Summary of study methods

2.1 The study used the following methods to gather the evidence from which to develop strategies to encourage SMEs and SEs to collaborate to bid for, and deliver, public sector contracts:

- A review of recent literature
- Depth interviews with 10 key representative bodies.
- Depth interviews with 37 SMEs and 13 Social Enterprises (SEs)
- Workshops with SMEs and Social Enterprises.

Samples

2.2 The responding representative bodies covered employers' representative organisations; voluntary sector representatives; SE groups; local authority representatives; enterprise agencies; and sector specific organisations. These were selected to achieve a rounded view across: the public, private and third sectors; geography; and specific business activity type – e.g. representing business' voice, proactively supporting the development of third sector enterprises. The sample included two interviews with senior public sector purchasing staff. The aim of these interviews was to identify their: attitudes towards collaboration; knowledge of successful consortia bidding; awareness and provision of support for Scottish SMEs and SEs for collaboration. The participating organisations are listed in Appendix 5.

2.3 The sample of SMEs and SEs who were recruited to participate in either the depth interviews and/or the workshops was driven primarily by the need to include a range of companies that had previously been involved in collaborations, but also aimed to provide a spread of companies by size, sector and location. The aim of these interviews was to gather their experiences of collaborating and public sector bidding; attitudes and perceptions of collaborating; awareness of support for collaborating; and suggestions for encouraging more collaborating.

Limitations of the research

2.4 This research is essentially qualitative in nature and the results may not be representative of all SMEs and SEs in Scotland, nor is it possible to identify significant differences between different sub groups (e.g. by size) with confidence. The aim was to elicit the depth and range of relevant and potentially sensitive information required; generate a shared view whilst retaining individual participants’ confidentiality; and achieve a sample encompassing different types, sizes and sectors. As we sought particularly to include SMEs and SEs that had collaborated, the results may be skewed towards more advanced collaborators’ views than SMEs’ and SEs’ views in general.

2.5 A full methodological statement and sample details are contained in Appendix 2.
3 – SUMMARY OF THE LITERATURE REVIEW

SMEs, SEs and Public Procurement

3.1 The literature review identified an array of articles and publications around the issue of SMEs and SEs and public procurement. This interest in SMEs, SEs and public procurement reflects a number of factors including the contribution of SMEs to economic competitiveness and productivity (e.g. through creation of jobs and introduction of new products and services), as well as the benefits from encouraging greater levels of interaction between SMEs, SEs and larger organisations (e.g. opportunities for smaller businesses to access larger contracts).

3.2 As a result, there is a clear narrative around the commitment of public sector organisations to enhancing the access of SMEs and SEs to public sector contracts. In practice, this has manifested itself in: (i) the commissioning of a number of national reviews of the issues surrounding access to public sector contracts for SMEs and SEs and (ii) the introduction of a range of policies, guidance notes and programmes of support. Some of these have come and gone with specific funding streams, whilst others have been refined and updated to meet changing needs of contracting authorities and/or SMEs and SEs.

3.3 However, a number of recent reviews (such as McClelland (2006) in Scotland and Glover (2008) in England) and publications from business representative organisations (e.g. Scorecard Working Party and CBI) have questioned the extent to which such policies and support have impacted on the uptake of public sector contracts by SMEs and SEs.

3.4 Interestingly, in comparison to the body of literature around SMEs, SEs and public procurement, there are relatively few articles and publications which focus on SMEs or SEs working collaboratively to access public sector contracts. The majority of insights in the literature relate to the experiences and examples of contracting authorities working together in consortia as a way of achieving economies of scale and ‘value for money’ in procuring services.

3.5 Therefore, our understanding of collaboration within the context of public procurement is based on the experiences of contracting authorities, not SMEs and SEs as the suppliers of products and services. This will be a barrier to developing demand-led services to support SMEs and SEs in accessing public sector opportunities through collaboration.

3.6 As a result, insights as to why and how SMEs and SEs may work in consortia have to be inferred from the wider literature on business collaboration and relationships (see, for example, Dyer, 1997; Anslinger and Jenk, 2004). This lack of evidence poses a challenge to developing forms of business support to assist SMEs and SEs in addressing the key “how to’s” associated with working in collaboration with other enterprises.

11 Please note that there is an extended version of the literature review in Appendix 1
3.7 There is limited evidence in the literature that points to initiatives that have been introduced in Scotland to promote and encourage collaboration amongst suppliers. Perhaps as a result, whilst there is clear evidence of successful main contractor – subcontractor relationships, this review has only identified limited examples of significant collaboration case studies.

3.8 A series of barriers to collaboration in Scotland have been identified from the literature:

Table 2: SME/SE Perceived Barriers to Collaboration

| Poor communication between businesses | Lack of clarity over contractual matters |
| Limited geographic scope of operation | ‘Just-in-time’ sourcing |
| Imbalanced partnerships between businesses | Difference in interpretation of ‘collaboration’ |
| Negative perceptions of the public sector | Sub-contractor margin ‘squeeze’ |
|                                           | Perception that contracts are becoming too large for some SME suppliers |
|                                           | Onerous public sector contracting paperwork and processes |

Please note that these perceived barriers are simply collated, not ranked.
4 – OPPORTUNITIES AND BARRIERS TO CONSORTIA BIDDING

Please note that throughout this section, the term ‘a few’ means fewer than 5 SMEs, 3 SEs or 3 representative bodies; ‘the majority’ means 60% - 80%, ‘most of’ means at least 60%, ‘the vast majority’ means over 80% of representative bodies/SEs/SMEs.

Collaboration

Terminology and Understanding of ‘Consortia’ and ‘Collaboration’

4.1 Consortia are not considered to be the same as collaborations by the majority of SMEs & SEs contacted, who instead described consortia as more formal than collaborations. They are perhaps best summed up as follows;

‘A consortium is more fixed and has rigid terms of reference to operate. It may or may not be an entity. A consortium may not work collaboratively!’ (SME)

‘Forming a consortium is seen as more structured and strategic with fixed and probably inflexible structures. Collaborating is seen as ongoing relationships’. (SE)

4.2 Consequently, the term collaboration was used throughout the fieldwork. Consortia, as the generic term, has been retained in the report and should be understood as encompassing a full range of formal and informal relationships.

4.3 SMEs and SEs typically describe collaboration as simply ‘working together’ – often with the aim of winning and delivering contracts that are beyond their own organisation’s scope and taking advantage of synergy – as one explained:

‘It's what we do when we want to go for contracts that we are not capable of delivering alone (both in terms of resource and expertise)’ (SME).

4.4 However, not all SMEs agreed, a few instead suggesting a range of activities from: ‘A joint venture, or ‘where one is the lead with shared risk and reward’ to where there is a dialogue and exchange rather than a simple supply chain relationship’, to ‘even subcontracting is collaborating’. Two SMEs referred to the quality and nature of the relationship as important to the collaboration – e.g. ‘Collaboration means each partner has an equal voice’. A true collaboration is where each of the collaborating parties has an equal voice in the bid's development and contract delivery and where they are fully supportive of each other. Most SEs also referred to ‘sharing knowledge’, indeed typically in a ‘partnership’.

4.5 Contractual relationships typically have to be formed as a result of the collaboration, and so, for most SMEs and SEs, main and subcontractor relationships were included as ‘collaborations’. However, ‘true collaboration’ is not perceived to be the same as main contractor - subcontractor relationships. When examined in depth in the workshops, it appears to be the
nature of the relationship that marks out true collaborations from simple main and sub contractual relationships:

‘A straightforward contractual relationship may not be collaboration, just a delivery mechanism’ (SME)

‘A main contractor has the relationship with the client and controls the payments to subcontractors – which can lead to issues’ (SME)

‘True collaboration will see the main contractor being supportive to subcontractors as part of the process’ (SE)

‘True collaboration is not main contractor and subcontracting, it is people having respect for one another, an equal voice, trust … and recognition that all of our … skill sets were needed’ (SME)

‘I worry that the Scottish Government thinks collaboration is just contracting – and it’s not’ (SME)

4.6 Representative bodies considered that for SMEs and SEs, ‘collaborate’ means acting together in a variety of different ways which implicitly involve a diverse range of relationships:

‘A range of activities from a hard-nosed sub-contracting relationship to businesses working together to share information about procurement opportunities’

‘Working in partnership or a consortium to bid for an opportunity’

‘Organisations working together so the sum is greater than the parts’

‘A collaboration with a clear lead provider but where the joint experience/track record etc is presented in such a way that [the purchaser] recognise it almost as one’

A ‘forced merger’ or ‘a proper joint venture’.

4.7 Some representative bodies thought the term ‘partnering’ appeared to be more widely used and understood within the SE sector.

4.8 ‘Lead agency’ was not considered the same as collaborating by SMEs, as the lead agency holds the relationship with the client and interprets their needs to the remainder of the delivery team, whereas in a true collaboration, the partners and client would have direct access to each other, improving the delivery outcomes. Lead agency relationships appear similar to main contractor-subcontractor relationships.

4.9 A couple of SMEs and SEs referred to ‘anti-collaboration’ clauses, by which they were really referring to the anti-collusion clauses and one representative body mistakenly pointed out that it was only recently that Local Authorities’ contracts have removed the ‘anti-collaboration’ clauses, suggesting a degree of confusion about collaboration and what it really comprises amongst both SMEs, SEs and representative bodies.
Collaborative Processes

This section explores SMEs, SEs and representative bodies’ views about the key processes involved in establishing a successful consortium in order to maximise the opportunities for successful collaboration.

Identifying Potential Collaborators

4.10 The need to identify the right partners was a critical early stage in creating a consortia bid. The importance of relationships was emphasised by both SMEs and SEs:

- Having previous experience and knowing the collaborating parties was deemed to be essential and was mentioned by half of SMEs;
- Having a good relationship established was mentioned by half of SEs and a third of SMEs.

4.11 Other key criteria in selecting potential collaborators included additioality and complementary skills (important to around a fifth of SEs and SMEs) and trust (a fifth of SMEs). Please see Table 3 that follows for full details.

Table 3: Criteria for Successful Choice of Partners

<table>
<thead>
<tr>
<th>Criteria for Successful Choice of Partners (Rank order by number of mentions*)</th>
<th>SEs</th>
<th>SMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Established relationships (7)</td>
<td>Same ethos/ values/ style/ quality standards – ‘a good fit’ (7)</td>
<td>Additionality/ complementary skills/ non-competitive (3)</td>
</tr>
<tr>
<td>Previous experience/ already knew the partners (19)</td>
<td>Established relationships (12)</td>
<td>Additionality/ complementary skills/ non-competitive (8)</td>
</tr>
</tbody>
</table>

* NB. Each respondent could cite as many reasons as they wished

4.12 Given that each consortia may be specifically created in response to a particular set of contract needs, the desire to have reliable, trusted partners in place to be able to bid and deliver effectively implies the need to invest time to develop such collaborations.

4.13 The representative bodies corroborated the criteria suggested by SMEs/SEs both in terms of selection of partners and in the processes adopted. However, for some representative bodies this stage followed identifying the appropriate opportunity, for others it came before identifying an opportunity.
How To Collaborate Successfully

4.14 The majority of SMEs contacted appeared to have a very flexible, informal and ‘opportunistic’ approach to collaborating, with few standard processes in place – indeed a fifth of the SMEs did not have any processes in place. This informality appears to correlate with the strength of their existing relationships with partners. Three in ten SMEs referred to the necessity of collaborating with partners whom they already knew and had good relationships with. Seven SMEs had long term relationships with companies with whom they regularly collaborated to the point where they had such a strong understanding of each other they could write each other into bids without the need for significant discussions. Where new partners were to be used, they were more likely to become a subcontractor under a formal arrangement with the main contractor:

‘The processes] vary - there is always a clear division of labour and activity, but this rarely written down, just an informal agreement’

‘[There are] no formal processes. Just knowing our partners’ style of work is important and you should be able to trust them.’

4.15 However the processes, where used by SMEs, may include some of the following key stages:

(1) Determine if the contract’s requirements are within their skill set, and if not, decide whether or not to pursue the contract – some also decided if the effort required to make the bid was in balance with the contract potential and their likelihood of winning it

(2) Decide who to work with (from companies with which they have a relationship and good ‘fit’)

(3) Agree what each partner does

(4) Get input to bid if necessary (prices etc.)

(5) Once won, a few SMEs may set up a subcontractual arrangement – but many rely only on goodwill and the ‘psychological contract’

4.16 The SEs contacted appeared to have a more sophisticated approach to collaborating than SMEs. This is possibly due to their history of partnership working or perhaps different governance structures.

4.17 The SEs contacted typically referred to the existence and quality of relationships and a good understanding of the other partners as a precursor to collaborating. If the relationship was strong enough, they appeared to be more relaxed about establishing formal processes. One SE set up a memorandum of understanding with new partners. The key stages included

(1) Recognise the need to collaborate

(2) Understanding partners’ capabilities and strengths & developing strong relationships

(3) Look at track records
(4) Meetings to agree capabilities, actions, project plans & who does what - sometimes informal meetings between potential partners’ senior management to agree whether or not to collaborate and agree the outline approach, which would then be used by junior management in preparing the detailed bid and organising contract delivery.

(5) Get a partnering arrangement in place (Heads of Terms).

4.18 The vast majority of SMEs and SEs with previous collaborative experience claimed that the process was as they expected it to be. They also claimed that in practice the level of experience of bid writing increased as the level of delivery experience increased.

4.19 Representative bodies typically feel it is inevitable that one partner both writes the collaborative bid and typically leads the contract – either because they are larger, with more resources, or because they have more experience in bid writing and/or service delivery.

Opportunities for, and Benefits of, Collaborating

Reasons to Collaborate

4.20 SEs and SMEs that had previously collaborated consistently gave their primary reasons for collaborating as:

- Adding value/ making a wider offer/ needing particular skills (two-thirds of SEs and SMEs);
- Requiring capacity (a third of SEs and a sixth of SMEs);
- Increased chance of winning the tender (a tenth of SMEs);
- Sharing best practice and ideas (1 SE); and
- Good relations with the partner (1 SE).

Awareness of, and Propensity to, Collaborate

4.21 Almost every SME and all but one SE contacted claimed they had worked and bid collaboratively. However, on closer inspection, this turned out to be main contractors subcontracting. One of the few that had not collaborated would consider it; another would not trust any others, and two said it was not appropriate for their business.

4.22 SMEs and SEs were typically either unaware of any collaborations between companies to bid for work, or knew of very few examples. Only two had truly worked collaboratively. This was corroborated by the representative bodies contacted. An SME/SE collaboration had been developed to supply the SE sector. A group of SMEs had collaborated successfully in the past to develop and deliver a media campaign to assist in the roll out of broadband in the Highlands and Islands. Another example identified by a representative body was Aspire to Enterprise, which is delivered jointly by Forth Sector Development and CEIS and is considered to be successful. Interestingly, where representative bodies gave examples of collaboration, these involved the commissioning body bringing the parties together. However, this approach was not believed to always be the best, as it did not allow for relationship building.
4.23 Consortia bidding is perceived by representative bodies to be a well established practice in some sectors, such as IT, advertising and provision of community services, whilst in others it is ‘very hard to accept’. However, the nature of the relationships these consortia represent and thus the level of real collaboration involved is unknown. Representative bodies thought that those more likely to collaborate included:

- SEs, because they are less driven to compete and probably have more experience of working in partnership;
- Larger SMEs, due to their greater available resources and experience;
- Companies in the Highlands and Islands – possibly due in part to the workshops Highlands and Islands Enterprise ran about public procurement.

4.24 Representative bodies expected SMEs’/SEs’ awareness of the opportunity and willingness to collaborate to grow.

**Greater Identification of Opportunities**

4.25 Public sector work used to be perceived as ‘hard to find’, but this perception appears to be changing amongst SMEs and SEs, perhaps as a result of the outcomes of the McClelland (2006) report, including:

- The ‘single portal’, publiccontractsscotland.gov.uk, and various agencies’ activities to promote awareness of that portal - although some representative bodies considered that awareness was not always strong at a local level;
- The single point of enquiry website to report issues/ poor procurement practice - although SMEs appeared unaware of this;
- The Centres of Expertise arrangement and the resulting collaborative purchasing and the increasing use of open competitive tendering processes;
- The Supplier Development Programme and other business support arrangements; and
- The improving quality of public sector procurement staff.

4.26 The vast majority of SMEs and SEs considered that their existing processes to find public sector contracts were effective. Only one SME claimed that they rarely saw public sector opportunities. Their methods included:

- Web based notification, including SupplytoGov, TED, OJEU, public sector websites such as, [www.publiccontractsscotland.gov.uk](http://www.publiccontractsscotland.gov.uk), & sector specific websites (e.g. Achilles, Construction Line, UKAEA),
- Networking
- Word of mouth
- Relationships with clients
- Being on Preferred/Authorised Supplier lists.

4.27 SEs also cited being the incumbent supplier as a source of knowledge – as they would be aware when their contracts were due to expire.
**Decision Making**

4.28 Decisions about which tenders to pursue collaboratively are typically made by SMEs and SEs on the basis of:

- Their ability to deliver – i.e. matching requirements, contract size and scope to available expertise/specialism, resources and infrastructure.
- The economics of the contract (in terms of potential profile, profit and costs/ impact on company finances).

4.29 SMEs also typically considered the likelihood of winning the tender; whilst SEs also typically considered the project’s strategic fit. Almost a fifth of SEs and SMEs considered the project’s geography. One SME referred to the potential for developing long term relationships with clients, whilst another two said they would only go for a contract where they already knew the client. One SME made decisions about which tenders to pursue on the basis of the effort required for the tender document – in their case they suggested that public sector requirements were ‘too much and has definitely put the company off future bidding’.

4.30 All the SEs and the majority of SMEs who were in a position to be able to compare, thought that their own decisions and processes regarding tendering were the same for public and private sector opportunities.

**Critical Factors for Successful Collaboration**

4.31 Once a relationship has been established, SMEs and SEs considered the following to be key to successful collaboration:

- use of complementary skills where the breadth of skill requirements is crucial to effective project delivery and / or the same skills where the need was for capacity (9 SMEs, 3 SEs);
- trust and openness and the quality of working relationships (6 SMEs, 2 SEs);
- commitment to sharing ideas and learning from each other (5 SMEs, 3 SEs);
- managing timescales/ responses within timescales (5 SMEs, 2 SEs)
- shared workloads (5 SMEs, 1 SE);
- fairness in sharing – both the bid preparation and the delivery (6 SMEs)
- excellent, open communication (5 SMEs)
- clear, simple processes (3 SMEs); and
- setting clear boundaries/ roles (3 SMEs).

4.32 Other important factors for successful collaboration included:

- support from management;
- commitment to the partnership;
- signposting between partners;
- having a leader with skills in strategic thinking and the ability to draw an effective consortia bid together;
- depth of knowledge of each other;
• previous bidding experience;
• keeping momentum;
• gaining external support; and
• keeping promises.

4.33 In addition to pre-established relationships, representative bodies also highlighted the importance of: clarity over roles and responsibilities from the outset; and having one party prepared to act as leader.

**Importance of Public Sector Contracts to SMEs and SEs**

4.34 The ‘public sector’ typically means ‘anything that is funded by the government’ to SMEs. However to some SMEs it has different meanings: e.g. ‘anything that is not a limited company or partnership’ and ‘Local authorities & the Voluntary sector’. In contrast, SEs had a good understanding of what the public sector comprises, with particular emphasis on central and local government.

4.35 Responding SMEs and SEs typically considered that public sector contracts are vitally and increasingly important. This was due primarily to the current economic climate and the loss of private sector headquarters in Scotland, but also to the increase in competitive tendering across both private and public sectors. The majority of SMEs and SEs had bid for public sector contracts - most of whom had been successful. Indeed the identified value of public sector contracts averaged £400k p.a. per company (ranging between £20k to £3m per company, equivalent to 5% - 90% total income for SMEs and at least 80% of total SE income). Indeed some SEs regard successful public sector tendering as critical to their future existence. This was corroborated by the representative bodies.

4.36 The relative importance of the public sector naturally depends on the nature of the goods or services being offered – for example it appears less important for retailers and more so for those providing social care, housing and skills/employability training. There were indications that the public sector is perceived to be moving away from contracting out supply of public services such as walk in clinics, cleaning, prisons and back to work services back in favour of internal provision.

4.37 The SMEs who had not sought public sector work either felt that they were not large enough to win the larger contracts let by the public sector; were concentrating on the private sector; or had experienced slow public sector payment.
Overview of Barriers

4.38 A range of barriers to SMEs and SEs bidding collaboratively for public sector contracts have been identified through the primary research, the most important of which have been grouped into four themes around (1) organisational and cultural barriers; (2) the logistics of collaborating; (3) contract scope; and (4) perceptions of the public sector procurement system.

4.39 Prior to examining each of these themes in greater detail, Table 4 summarises the main barriers cited by SMEs/SEs and representative bodies, giving the number of times each was mentioned by SMEs/SEs in order to give an overall indication of the balance of opinion. Other barriers which were raised are then summarised in Table 5.

**Table 4: Main Barriers to Collaborating**

<table>
<thead>
<tr>
<th>Main Barriers to Collaborating (in rank order by number of mentions) *</th>
<th>Cited by SMEs &amp; SEs</th>
<th>Cited by Representative bodies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of trust (19)</td>
<td>Resources required</td>
<td></td>
</tr>
<tr>
<td>Loss of control:</td>
<td>Lack of time</td>
<td></td>
</tr>
<tr>
<td>• Competitiveness / secrecy (8);</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Concerns about intellectual property, loss of privacy and protectionism (6);</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Lose or dilute identity (3);</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Lose client contact (1).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A perception that public sector commissioners are ‘not keen’ on collaborations (6)</td>
<td>Expense</td>
<td></td>
</tr>
<tr>
<td>Cultural/attitudinal barriers:</td>
<td>Loss of control – perception of giving part of business to others; giving competitors knowledge; desire to keep control</td>
<td></td>
</tr>
<tr>
<td>• Do not think about it/ can deliver without partners (3);</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Cultural resistance to working with others (2 - both SMEs).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short timescales for bid responses – especially the accelerated OJEU procedures 13(5)</td>
<td>Cultural/attitudinal barriers – e.g.:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Lack of belief that others (previously possibly rivals) might consider collaboration;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Do not consciously look to collaborate, instead simply thinking ‘I can’t do that’;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Not entrepreneurial enough;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Mindset;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Some big firms’ belief that smaller companies take too long to get up to speed for it to be an effective collaboration</td>
<td></td>
</tr>
<tr>
<td>Lack of awareness of potential partners (5)</td>
<td>Lack of knowledge of potential partners</td>
<td></td>
</tr>
<tr>
<td>Potential inequality in bid effort/ contract split (5)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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12 See footnote 5

13 These can be used in a Restricted or Negotiation with a call for competition procedure where urgency makes the normal timescale impractical. The legislation makes it clear that the accelerated procedure is to be used exceptionally, and the contracting authority must indicate its reasons in the notice to the OJEU. Additionally, the Regulations require the contacting authority to take account of all the circumstances, in particular, the complexity of the contract and the time required for drawing up tenders when fixing time limits for the receipt of requests to be selected to tender and for receipt by it of tenders...
Other barriers cited by SMEs, SEs and representative bodies are presented overleaf in Table 5.

### Table 5: Other barriers to collaboration

<table>
<thead>
<tr>
<th>Other Barriers to Collaborating (in rank order by number of mentions)*</th>
<th>Cited by SMEs &amp; SEs</th>
<th>Cited by Representative bodies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geography (4 – SME only)</td>
<td>Fear - Lack of knowledge about how to bid collaboratively</td>
<td></td>
</tr>
<tr>
<td>Complexity &amp; bureaucracy (4 – SME only)</td>
<td>Fear – Lack of an existing relationship and the need for trust and confidence to overcome fear</td>
<td></td>
</tr>
<tr>
<td>Lack of adherence to standards/ codes of practice (4)</td>
<td>Lack of previous experience of collaborating</td>
<td></td>
</tr>
<tr>
<td>Lack of clarity about delivery (3 – SE only)</td>
<td>Anticipated low likelihood of winning</td>
<td></td>
</tr>
<tr>
<td>Lack of relationships (3)</td>
<td>Focus on/ demands of day to day business/</td>
<td></td>
</tr>
<tr>
<td>Not enough profit or value in the contract to share (2 – SME only)</td>
<td>Lack of shared language and understanding</td>
<td></td>
</tr>
<tr>
<td>Contract sizes – too big or too small (SE)</td>
<td>Difficulty in allocating who does what especially at tender writing stage</td>
<td></td>
</tr>
<tr>
<td>Risk (1)</td>
<td>Type of contract</td>
<td></td>
</tr>
<tr>
<td>Lack resource required for bidding (1)</td>
<td>Perceived ‘stitch-ups’ – a belief that the public sector tends to give work to favourite suppliers</td>
<td></td>
</tr>
<tr>
<td>Fear of failure/ low likelihood of winning (1)</td>
<td>SMEs/SEs don’t know how to engage with the public sector</td>
<td></td>
</tr>
<tr>
<td>Potential disagreements/legal issues (1)</td>
<td>Lack of familiarity with large contract processes</td>
<td></td>
</tr>
<tr>
<td>Lack of awareness of opportunities (1)</td>
<td>Perceived small size (in relation to contract value)/ perceived huge and increasing contract sizes and the associated level of liability cover required</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Level of business skill required in order to identify and deliver what is required from a contract</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Difficult to find the appropriate source of support</td>
<td></td>
</tr>
</tbody>
</table>

* NB. Each respondent could cite as many reasons as they wished

### Organisational and Cultural Barriers

4.40 Cultural/ attitudinal barriers and potential inequality in the bid effort/ contract split were cited as barriers by a significant number of SMEs and SEs. Companies may simply not think about partnering as a solution to bid for a large or complex contract which lies beyond their own area of expertise and capacity. There appears to be a natural resistance to sharing with others – primarily due to issues of trust and potential loss of control.

‘Major agencies don’t want to collaborate, there can also be a natural resistance amongst smaller businesses to collaborate due to competitive and untested relationships’ (SE)

‘Collaborations do not always deliver the amount of work that you might expect. A lot of work can go into setting these relationships and not always do they prove to be prosperous.’ (SME)

4.41 Social Enterprises believe they are at a major disadvantage when bidding for public sector work generally, due to a perceived inherent prejudice and mindset that SEs do not have the ability to deliver complex projects and are therefore
often overlooked. This relates to their perceptions of both public procurement staff’s and private sector organisations’ attitudes towards SEs as potential partners or suppliers.

4.42 Furthermore, representative bodies think that a host of cultural barriers exist, such as businesses tending to use totally informal processes and not consciously looking to collaborate, instead simply thinking ‘I can’t do that’. The cultural barriers were said to be particularly hard to overcome.

The Logistics of Collaborating

4.43 Lack of trust and control were the dominant reasons given by SMEs, SEs and representative bodies for non collaboration:

‘Will others do what they agreed to do, …. can I trust them?’ (SME)
‘There’s the threat that they steal the customer and cut us out’ (SME)
‘… Not everybody is comfortable sharing work and practices.’ (SE)
‘Collaboration is not easy and needs to be worked at. It can happen that partners do not truly understand collaboration and are in the consortium for selfish or short term reasons’ (SME)

4.44 Given the need to establish a collaborative relationship in advance, there is a barrier if SMEs and SEs do not already know suitable partners. Some appeared unsure where to look for partners for a particular consortia bid.

4.45 SMEs, SEs and representative bodies considered it difficult to release the resources necessary to establish and maintain effective communications within collaborations – a barrier which is compounded by the bureaucracy associated with public sector bidding:

‘The bidding process for consortia is very bureaucratic and off putting, it is difficult to resource putting bids together. This is particularly more prevalent in the Public Sector.’ (SME)

4.46 Further to this, many SMEs and SEs simply do not consider collaborating to win work, instead disregarding opportunities that they cannot solely supply due to skills, capacity or geographic requirements. The current lack of case studies and lack of awareness amongst SMEs and SEs of any specific support to promote collaboration compounds this.

Contract Scope

4.47 SMEs and SEs were particularly negative towards the perceived trend towards increasingly large contracts, which they consider a barrier to equal access. They perceived contract scope (in terms of capacity, geographic coverage, or the range of skills required) as having increased to the point where even collaborations could not compete effectively. This will naturally impact on their willingness to bid either solo or collaboratively.

4.48 Collaboration is not seen as the answer to aggregated public sector contracts for encouraging SMEs and SEs to access contracts. SMEs and SEs
considered that the current situation ‘precludes SMEs’ and needed ‘a radical shake up’ as otherwise it would lead to ‘monopoly suppliers’ and a ‘drastic effect’ on the SME and SE base in the future. The vast majority simply considered that ‘They need to stop this aggregation’:

‘Tenders are so big that we can’t go for it and they do it deliberately as they want to work only with big companies. They overpay for those services as well.’ (SME)

‘SEs are put off bidding for work with local authorities as they tend to ‘bulk buy’, resulting in bigger contracts which can often lead to complaints around the quality of delivery as a result.’ (SE)

‘[There need to be] fewer big frameworks’ (SME)

4.49 However, SEs additionally claimed that contracts that were too small were equally problematic to deliver economically and so would not bid for such work as it could not be split adequately between consortia members.

4.50 A number of SMEs and SEs considered that there was a shortage of smaller contracts published. Representative bodies considered including smaller contracts within the single portal as beneficial, as they provide a good basis for future growth and collaboration - especially third sector smaller companies.

4.51 It was felt that the way in which specifications are presented often formed a barrier to bidding. ‘Cut and paste’ specifications and selection criteria were particularly criticised, but the main concern was well expressed by one SME as:

‘Poorly defined briefs written by the procurement team reveal how poorly understood the challenge is, far less the likely nature of the solution. Hence these briefs attract a large number of questions to the procurement manager, which can rarely be answered, or worse still, means that the selection committee … cannot decide between solutions … has to withdraw aspects of the tender … or makes seemingly illogical choices of supplier…’(SME)

**Perceptions of the Public Sector Procurement System**

**Procurement Policy**

4.52 SMEs and SEs were very negative towards the reforms, particularly about the trends towards economies of scale as a perceived barrier to equal access for SMEs. The move towards increased open competitive tendering was recognized as an additional issue by several SEs contacted14.

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14 The following comments relate to consultees’ negative feelings about the PPRP changes in general. The SMEs etc considered that public procurement policy, whilst maybe making cost savings for the public sector in the short term, would lead to higher costs in the longer term due to the perceived damage to Scottish SMEs and SEs who no longer felt able to compete/ supply effectively.
The government is sending out two conflicting messages - 1 - to encourage the public sector to gross up contracts for efficiency improvement and/or cost saving and 2 - to encourage SME/SE growth. Thus collaboration appears to be the answer, but as the contract sizes increase, the consortium size also needs to grow – they will always be playing catch up and it’s very difficult for a consortium to compete with a large single player as the single players have more clarity and are thus more acceptable to purchasers’ (Representative body)

‘McClelland has just led to extra barriers for us’ (SME) – referring to the open competitive tendering processes and increasing contract scope

‘If they really wanted smaller enterprises to be able to supply, they wouldn’t do [aggregated public sector procurement contracts] like that – it’s just a façade’ (SE)

‘In my sector collaborative procurement just does not work. McClelland’s report does not … in any way address the socio & economic impact on SMEs in Scotland and the sooner procurement people take that dimension into account … the sooner the situation in this country will be sorted… they need to address the impact of EU law on SMEs, ‘ (SME supplier to APUC) – referring particularly to the potential longer term impact of Scottish businesses no longer being able to win public sector contracts due to increased contract scope and desire for cost savings

4.53 Public sector procurement was perceived to be hampered by the need to be seen as transparent and open in comparison with the private sector:

‘[The private sector] will normally choose a few relevant suppliers & stick with them – they are not obliged to tell all potential industry suppliers of the opportunity to bid, nor do they impose strong T&Cs on small, low risk contracts like the public sector does. Instead they’ll use very small contracts as the opportunity to suss out suppliers & thus build their supply chain over time.’ (SME)

4.54 Whilst representative bodies were typically supportive of the principles of the reforms, they were less positive about them in practice, perhaps due in some part to the potentially conflicting agendas of cost saving; sustainability/social/economic impact; and SME/SE growth and share.

4.55 Additionally the reforms were claimed by two representative bodies to have led to issues for previous suppliers who feel that they cannot supply the aggregated contracts either as a sole supplier or as part of a supply chain. The larger contracts typically lead to a main contractor/subcontractor supply side, where the subcontractors’ profit margins were claimed to be so tightly squeezed that they cannot grow. Main contractors’ perceptions (and it was said real experience) of the lack of skills and competence required to be immediately effective amongst some local firms was a further barrier to using SMEs/SEs.

4.56 Most representative bodies considered that e-procurement, and specifically the single portal, would be helpful for most SMEs/SEs in driving collaboration for public sector contracts. However not all SMEs/SEs (especially the smaller
ones) were perceived as being ready to cope with electronic based systems. Interestingly, the majority of SMEs/SEs instead suggested that any organisation that could not handle electronic systems was ‘on its way out’ and that systems should not have to cater for such ‘luddites’.

4.57 Whilst SEs are seen as ‘natural collaborators’, there is very little evidence of them actually working within formal main/sub contractual arrangements, thus there is a perception that they may appear to be a less attractive option to purchasers, which affects their propensity to bid.

4.58 Whilst SMEs, SEs and representative bodies all mentioned that using local suppliers would naturally enhance the local economy through multiplier effects, the actual impact of such purchasing decisions is currently under debate, due to the lack of relevant published data. In any case, anticipated local benefit cannot be taken into account in awarding contracts.  

### Procurement Process

4.59 Public sector procurement processes were considered to particularly discourage consortia bids by three in every five SMEs. The public sector tendering process is perceived to be ‘against SME collaboration’: The main process issues include the time consuming, bureaucratic and inflexible paperwork requirements which are difficult for consortia to complete within the response timescales; coupled with the choice and use of selection criteria and an inability to talk with the commissioners to gain a better understanding of the contract specification.

‘The local authorities can impose sub-contractors on us as part of collaboration. This isn’t always necessarily a bad thing but we have had some particularly bad experiences where we have had to use people that we would not want to use. Within the tendering process the vocabulary used can often be very complex’. (SME)

‘We’ve been advised by a consultant not to [bid collaboratively] because the paperwork is not set up for collaborations’ (SME)

‘The fundamental problem is that the paperwork doesn’t understand collaboration – it understands lead contractor and subcontracting but doesn’t really understand collaboration.’ (SE)

4.60 The paperwork issues were perceived as including:

- The inability to include all collaborators’ relevant experience, regardless of whether or not it was gained as part of the same collaborative group;
- The need to prove many examples of previous successful collaboration in the same field, with the same group of collaborators – which was perceived by SMEs and SEs as demonstrating a lack of understanding of how collaborations are formed by SMEs and SEs;
- The inability to claim the full collaborative group’s turnover;

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15 Selection is done on the basis of capacity and capability (Regulations Part 4), contract award is on the basis of most economically advantageous tender (preferred basis in Scotland), or lowest price and must be related to the subject matter of the contract (Regulations Part 5).
There is a common perception amongst SMEs, SEs and representative bodies alike that businesses (especially smaller ones) find public sector contractual processes too onerous, time consuming ‘more formal with less flexibility’, ‘less open’ and ‘more bureaucratic’, requiring ‘lots of paperwork’ and company policies to be in place; compared to the private sector which they thought of as ‘easier’, ‘more dependent on relationships’ and ‘more money focused’. Around two in every five SMEs and all those attending the workshops considered their own tendering decisions and processes to be different for public and private sector opportunities, largely as a result of the public sector procurement process requirements.

‘The pre-qualification stage often excludes smaller organisations and bigger contracts are unlikely to be commissioned to smaller organisations with a smaller turnover and capacity. .... I have also seen on some contracts that bigger companies have been encouraged to locate offices in Scotland so that they can deliver some of the bigger contracts - overlooking existing Scottish firms.’ (SME)

‘Pre-qualification conditions that incur expense on those submitting initial responses e.g. advanced disclosure, credit reference, insurance levels set for contracts with far greater risk than the tender in question’ (SME)

‘The bidding process is a “nightmare”, it eats time and resources.’ (SME)

‘Public sector contracts generally require much more detail and formal responses. These can be onerous with too much non added value work required and repetition.’ (SME)

‘We have recently missed out on a major contract with Scottish Universities due to the award body misplacing our documents. We had been notified that our documents (tender) had been received only to find out that is was not forwarded to the awarding panel. As such we received an apology for not even being considered for the project. Having put approximately one week of work into the process we were very disappointed and put off from bidding for future similar contracts.’ (SME)

‘There are already explanatory books on the public sector procurement processes, and they will hold briefing sessions and try to be transparent, but I get the feeling that they are ticking boxes and it doesn't really do the necessary job that a round the table discussion would. The public sector is too keen on avoiding accountability’ (SME)

‘Impenetrable procedures relating to ‘preferred supplier’ lists or ‘partner’ status where nobody can explain how you achieve this status.’ (SME)

‘In the PQQ stage, the time is too short even if tendering information is available’ (SME)

‘The cost to the Scottish economy must be phenomenal … none of these tenders or PQQs are exactly the same wording … They need to have some sense of responsibility’ (SME)

Private sector business is perceived by the vast majority of SMEs and representative bodies as having fewer barriers generally:
‘The [public sector] client is often more demanding on non added value time (i.e. paperwork and reports) rather than the added value aspects such as the delivery process itself. This can increase costs which have to be passed on. The private sector is more likely to look at the pragmatic tangible commercial results for the delivery process and as a result will get better value for money.’ (SME)

4.63 SMEs and SEs found the inability to be allowed to talk to someone about the contract specification – for example to get clarification - very frustrating. Examples were cited where bidders had been refused direct access to anyone other than the procurement staff and/or through the e-tendering system where the lack of clarity in the specification had led to such inappropriate bids being provided to the specifier that the whole contract had been later re-tendered. Others very much disliked the fact that whatever answers to the questions they had the sense to ask were made available to all tenderers, thus losing their competitive advantage. Some simply wanted the human contact necessary to determine if the buyer-supplier delivery relationships were likely to be effective in practice.

‘We need to be able to speak to the contracting authorities so we really understand what they are after – they hide behind the tendering ‘rules’’ (SME)

4.64 The process of identifying and establishing a collaborative group for a specific contract; developing the bid collaboratively; and accessing all the relevant paperwork from partners can mean that procurement deadlines cannot be met:

‘The barriers are the time it takes to agree to collaborate and build up sufficient knowledge and trust of each other’. (SME)

This is a particularly difficult barrier when it is coupled with the additional perception that:

‘Requirements on the supplier side to comply with deadlines – sometimes at extremely short notice – are not reflected by the urgency or similar need for the procurer to meet their own deadlines’ (SME)

4.65 Despite the improved identification of opportunities afforded by e-procurement and e-alerts, the consensus of SME and SE opinion was that the changes had ‘led to extra barriers’ to bidding. E-procurement was perceived to have particularly negatively affected collaborative bidding:

‘Particularly frustrating are the electronic forms which are repetitive, cannot be completed on screen, contain so many macros that they keep crashing and losing the data’ (SME)

4.66 Additionally, there was some scepticism by representative bodies around the take up of the available activity to support SMEs and SEs in accessing public sector contracts and the various activities’ focus. Equally at least one representative body felt there had been insufficient involvement with, or recognition of the needs of Social Enterprises.
4.67 Implementation of the single portal is perceived as ‘patchy’ by a few of the SMEs and by the representative bodies contacted. This is possibly as a result of the roll out process and is seen as potentially damaging and confusing. For example, they cited the Commonwealth Games’ contracting as using the OGC system instead of the single portal – although this is erroneous, as it in fact uses http://www.glasgow.bravosolution.com/.

4.68 SMEs and SEs displayed frustration and confusion over the choice of, and use of, selection criteria by the public sector:16

‘We bid collaboratively but were discriminated against because our turnover was low, yet the collaboration’s whole turnover was high’. (SME)

‘This unfairness (in selection criteria) restricts the chances of success for start up businesses’. (SE)

‘PQQs that are so vague that only those who … show a specific track record or level of staff or turnover (qualify)’(SME)

‘They just need to choose on the basis of reality, not just on who’s ticked the boxes best.’ …‘and the criteria need to be relevant to providing good value and good delivery’…‘You can’t judge it all from a piece of paper’ (SMEs and SEs)

‘If the public sector … told people what they’re being scored against then it would be easier … to supply’ … ‘I hate this 40% process, 60%…’ (SME)

4.69 Many SMEs and SEs considered that if the Scottish public sector is genuine in its desire to support smaller businesses to supply the public sector through collaboration, then the selection criteria ideally needed to display a preference for smaller companies, perhaps through the use of criteria about the nearness of the supplier to the point of delivery needed by the contract. This demonstrates a lack of understanding of the procurement ‘rules’ and need to accord with EU regulation amongst some SMEs and SEs, but equally relates to the perception of others who claim to understand the procurement rules, but regard their implementation as having moved so far to the advantage of large single suppliers that smaller organisations, even in collaboration, need assistance in order to level the playing field. This was seen as particularly apposite in the current economic conditions, as SMEs and SEs alike considered that Scottish businesses would suffer unless greater consideration was afforded to them by public sector procurers.

‘McClelland mentions social & corporate responsibility….The selection criteria should take account of the wider socio economic impact of their decisions’ (SME)

4.70 Public/social partnerships are considered by representative bodies to be impacting on contracting, and the use of social impact in criteria for contracts is currently perceived as being in its infancy but having great potential – especially for SEs and for collaborations between SEs and SMEs.

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16 Permitted criteria for selection and award in contracts are explained in the Regulations (Part 4 and 5).
Feedback

4.71 Two thirds of SEs always got feedback, and the remainder sometimes did when they asked for it against unsuccessful bids, although they ‘often have to be proactive at initiating this’. However the quality was deemed to be mixed. One SE said that they always asked for feedback and used the freedom of information act for feedback when it was not forthcoming. They considered that ‘Many local authorities provide “lip service” feedback which is not based on giving us opportunities to improve for future bids. However recently Edinburgh City Council have been very proactive in the feedback process and invited us into the authority to look at the full impact of a successful bid. This has been very helpful’. (SE)

4.72 Nine in ten SMEs ask for feedback against their bids. However a third of them do not think that they always get feedback and most of these SMEs find the feedback inadequate:

‘[We] usually get partial feedback’ (SME)
‘We were told “we are too busy to give feedback”’ (SME)
‘We question its usefulness – it’s often anodyne’ (SME)
‘The quality of feedback from the public sector is poor – the detail is inadequate’ (SME)
‘It’s not very helpful in terms of improving future bids’ (SME)
‘No acknowledgement to the supplier is common’ (SME)
‘We don’t even know what happens to our proposals, who opens them, whether they are opened fairly or not’ (SME).

4.73 There were a couple of SMEs who considered that their bids had been treated unfairly due to a difference in understanding of the requirements – for example one SME thought ‘sustainability’ meant financial sustainability, but the procurer actually wanted environmental sustainability. Another claimed that ‘It was obvious that they did not understand our bid. It was very frustrating for us to be evaluated by someone who was so new to the industry’; whilst others considered the brief to be too vague. However SMEs and SEs both suggested that ‘if you make a fuss you’re barred for the future’.

Procurement staff

4.74 It was suggested by SEs, SMEs and representative bodies alike, that the doctrine and culture within the public sector, with the perceived emphasis on ‘performance culture’ acts as a barrier to working with SMEs and SEs. There appears to be a rising concern amongst SMEs and SEs that public sector procurement staff and processes prefer dealing with a single major supplier

17 Obligations relating to contract award including debriefing are found in the Regulations (paragraph 32(9)), “meaningful feedback” is also an obligation under the Suppliers’ Charter, which was published in Summer 2006.
over a collaboration, as it is perceived as less risky than selecting a ‘brand name’. This would limit the propensity of companies to attempt to bid as consortia in future.

4.75 Several SMEs referred to the fact that they were ‘put off’ bidding collaboratively due to the negative and inconsistent responses they received against public sector contracts:

‘Sheer lack of courtesy and respect for suppliers who are treated at best as nuisances or worse, as insignificant’ (SME)

‘You think you’re alright because you passed [that criteria] before, but the next time it’s assessed differently … there’s no continuity’ (SME)

4.76 Procurement staff in the public sector are considered by many representative bodies to now be highly professional. Representative bodies claim this largely results from their large company backgrounds and experience. However this background is claimed to make them ‘largely incompatible’ culturally with SME/SE suppliers.

4.77 Highly technical/specific contract needs, such as IT, are perceived to require a more specialised procurement process or at least the involvement of IT professionals within the procurement process in order to ensure that the resulting supplier/group of suppliers is capable of supplying an appropriate and fully functioning product/service to specification, on time and within budget.
5 – ENCOURAGING COLLABORATION FOR PUBLIC SECTOR CONTRACTS

Existing Support for Collaboration

5.1 The majority of SMEs and SEs appeared largely unaware of any available support for collaborative bidding and the vast majority had not received any support to date. One SME claimed they had requested support from Scottish Enterprise, but had not received any, whilst another said they had received assistance from Scottish Enterprise, but nothing specific to collaboration. However a few examples of support were identified by SMEs and SEs, as shown in Table 6:

Table 6: Identified Support

<table>
<thead>
<tr>
<th>Provider/ Source of Support</th>
<th>Support Offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clients (4 examples)</td>
<td>Suggested potential collaborators, holding networking events, assisting the collaboration to manage projects.</td>
</tr>
<tr>
<td>Business Gateway (2 examples)</td>
<td>‘Good at providing’ training and networking events which could lead to introductions</td>
</tr>
<tr>
<td>Chambers of Commerce (2 examples)</td>
<td>Networking events/ acting as introducers for SMEs</td>
</tr>
<tr>
<td>Sector specific forum</td>
<td>General support</td>
</tr>
<tr>
<td>Sport Scotland</td>
<td>Assistance/ facilitation to develop a successful collaborative bid for the Olympic Games</td>
</tr>
<tr>
<td>Scottish Social Enterprise Academy</td>
<td>Courses about public procurement – but these were perceived as ‘not affordable’ for SEs, despite recent courses being offered free of charge to SEs</td>
</tr>
<tr>
<td>Community Care Providers Scotland</td>
<td>Promotes SEs working together, disseminates information, trains staff and holds dialogue with awarding bodies</td>
</tr>
<tr>
<td>CVS networks</td>
<td>Networking events for SEs</td>
</tr>
<tr>
<td>FSB</td>
<td>Networking events/ acting as introducers for SMEs</td>
</tr>
<tr>
<td>Highlands and Islands Enterprise</td>
<td>Collaboration workshops</td>
</tr>
<tr>
<td>The Intellectual Assets Centre</td>
<td>Networking opportunities via conferences and courses and claims to offer a matching service for potential collaborators</td>
</tr>
<tr>
<td>The Innovation Relay Centres</td>
<td>General collaboration support</td>
</tr>
<tr>
<td>Enterprise Euro Network</td>
<td>General collaboration support</td>
</tr>
<tr>
<td>Business Club Scotland</td>
<td>‘Procurement exhibitions’</td>
</tr>
<tr>
<td></td>
<td>A new networking organisation believed to have the remit to bring suppliers together</td>
</tr>
</tbody>
</table>

5.2 Two representative bodies were actively supporting SEs to network and share knowledge in order to build relationships which may then evolve into a working relationship to bid for work. Several representative bodies pointed out the need for ‘a high level of handholding’ to undertake the process of consortia bidding.

5.3 Some representative bodies’ activity to encourage SMEs/ SEs to bid for public sector contracts extended only to promoting the single portal. However, this appears to be changing as they are becoming more actively involved in relationship building activity. For example the Chamber’s revised website (www.scottishchambers.org.uk) will include a networking and capability
statement section aimed at helping businesses find appropriate partners; and they additionally plan to use a local procurement expert to support members. Other representative bodies appear to have offered direct support to SMEs and SEs for some time, including running networking events – for example between SEs and the public sector and between SEs and the private sector; ‘meet the buyer’ events on behalf of Local Authorities; running seminars and workshops to educate companies about public sector procurement and/or supply chain opportunities to SMEs/SEs; acting as ‘a benign main contractor’; and advising SMEs/SEs on the procurement agenda that many Local Authorities now follow as a result of the McClelland (2006) & Glover (2008) reports.

5.4 The CompeteFor portal was seen by representative bodies to provide a networking/partnering service. However it was unclear whether or not they were also aware that this is a commercial service limited to Olympic Games activity. One SME cited the SPD Scotland website (http://www.scotland.gov.uk/Topics/Government/Procurement) and the ‘Guide to the Public Sector Marketplace’18 as useful. One SE referred to the supply2gov alerts as helpful.

5.5 One public sector representative body referred to having changed clauses within their own procurement documentation, such as stating: ‘we welcome collaborative bids’ and adding clauses such as ‘knowledge of local infrastructure would be an advantage’. Several indicated they encouraged main contractors to subcontract to small (local) companies.

5.6 Many of the representative bodies contacted are naturally restricted in their ability to offer direct support for SMEs/SEs when they are in the process of bidding for public sector contracts due to their nature. However, a number of authorities including Central Government (CGCOPE) and Highlands and Islands Enterprise publish the names of companies who have reached ITT stage on big contracts on their website, in order to give SMEs time to approach them in order to bid for subcontract work.

Opportunities for Greater Support for Collaboration

5.7 SMEs’ and SEs’ unprompted suggestions for additional support to encourage organisations like theirs to collaborate covered a spectrum of activity ranging from simple information provision through practical, proactive support to bespoke, hands on consultancy help. However, over half of the SEs and SMEs interviewed and all of those attending the workshops said that the existing public procurement processes had to change in order to overcome the barriers previously listed before any support for consortia bidding could be effective. Representative bodies’ suggestions also supported the concept of the need for a range of support, but they placed a different level of emphasis on each aspect of support to SMEs and SEs, as shown in Table 7, perhaps suggesting limited understanding amongst those best placed to provide support to potential collaborators.

Table 7: Summary of Support to Encourage Collaboration for Public Sector Contracts (in rank order)

<table>
<thead>
<tr>
<th>SMEs &amp; SEs</th>
<th>Representative bodies</th>
</tr>
</thead>
<tbody>
<tr>
<td>More collaborative–friendly (and SME/SE-friendly) public sector procurement system, including: reducing contract size; increasing response timescales; clarity about appropriate bidder types; simpler processes; purchasers’ perceived attitudes to risk; selection and use of criteria; less paperwork; greater purchasing staff discretion; and care in specification construction.</td>
<td>Highlight examples of successful collaboration</td>
</tr>
<tr>
<td>Raising awareness of opportunities</td>
<td>Initiatives aimed at encouraging relationships to develop</td>
</tr>
<tr>
<td>Criteria for selection of the winning tender to better reflect the impact of high quality delivery outcomes. and the effect on the local market</td>
<td>Intensive support for enabling collaborations and collaborative bids</td>
</tr>
<tr>
<td>A range of practical, proactive support activity – from simple information provision and light-touch one-to-many support: through to intensive one-to-one support – all of which should be tailored to the needs of each sector</td>
<td>Clarifying the government’s perceived mixed messages to the market</td>
</tr>
<tr>
<td></td>
<td>Greater use of social impact criteria in ITTs</td>
</tr>
</tbody>
</table>

5.8 SMEs and SEs gave a wide range of suggestions to encourage collaboration, many of which related to changing the existing public procurement system; although four SMEs did not think anything would encourage them to collaborate.

5.9 Representative bodies expected greater use of social impact criteria (such as sustainability, location, community benefit and sector benefit) in ITTs to 'have a massive impact' on the willingness of local and smaller suppliers to bid in consortia – particularly within the third sector, including collaboration with non third sector businesses.

5.10 When pushed to determine where the main focus of support should be allocated between the range of scenarios shown on Diagram 1, both SMEs and SEs confirmed that the full range of support was needed. This was due to the varying levels of sophistication and experience of collaboration of different organisations.

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19 Please see footnote 5. Permitted criteria for selection and award in contracts are explained in the Regulations (Part 4 and 5).

20 I.e. On the one hand wanting to achieve economies of scale in purchasing and on the other wanting to help local SMEs and SEs to grow through delivering public sector contracts
The following suggestions for support to encourage collaborative bidding from SMEs, SEs and representative bodies have been grouped into: information provision; light-touch, one-to-many support; and intensive, one-to-one support.

**Information provision:**

**Tailored Leads:**

5.12 Raising awareness of opportunities was one of the most frequent suggestions (5 mentions) made by SMEs and SEs to encourage collaboration, although four SMEs did not think anything would encourage them to collaborate.

5.13 Representative bodies also cited the need to proactively provide relevant, opportunities to companies which are tailored to reflect the companies' stated interests and competencies, perhaps through CPV codes.

5.14 The fact that more public sector contracting was to be processed electronically was seen by representative bodies as pushing SMEs and SEs into using e-tendering. However, the increasing 'e-noise' was seen as naturally limiting companies' ability to identify and respond to relevant opportunities in time, and thus it was suggested by one representative body that the technology should use a pro-active, 'push' approach – as in the e-alerts available since August 2008 from www.publiccontractsscotland.co.uk where opportunities to quote are closely tailored to the individual prospective tenderer's competencies, rather than the more traditional reactive approach of simply listing opportunities on a website. Suggestions were made by two representative bodies to use alternative technologies such as telephone and paper-based support/advice as a supplement to the computer based portal.
‘How to’ Guides

5.15 SMEs, SEs and representative bodies suggested publishing ‘how to’ guides for key collaborative processes such as due diligence.

5.16 One representative body suggested that providing a package containing all necessary paperwork; a checklist of things to consider when collaborating; and case studies of successful collaborations would encourage SMEs and SEs to collaborate. Several representative bodies also thought that resources would be needed to assist in the whole collaborative process and public sector bidding processes. A representative body suggested that such support may be phased - for example the first phase would be assisting a company to get all their policies and paperwork in place, possibly providing templates for some elements. They would then need hands on consultancy support to help with bid preparation etc.

5.17 Some of the suggestions made, such as ‘A place to go if unhappy with client actions’, indicate that SMEs are unaware of some of the more recent developments arising from the McClelland (2006) review such as the Single Point of Enquiry and the centrally-funded advertising portal, Public Contracts Scotland.

Promoting Collaboration

5.18 SMEs in particular suggested the need for highly pro-active support to promote the concept of collaborating for public sector bids, rather than relying on advertising alone:

‘SMEs would need someone to contact them to promote the idea of collaborating, & advise them of the need to, and benefits of, collaborating’ (SME)

5.19 One SME suggested general marketing, whilst another suggested providing case studies. However any case studies would need to be demonstrably effective and relevant to the SMEs they are targeted at.

5.20 There are implications for the way in which contract opportunities are promoted to potential collaborators. For example, using the term ‘consortia’ without further explanation on the range of the relationships that this covers will put off potential collaborators; and simply suggesting that all very large scale contracts would be suitable for ‘consortia bids’ would lead to a negative response from many potential collaborative bidders, as this would be perceived as the government attempting to open up the larger opportunities to smaller companies purely through the means of consortia, even when they may perceive this as inappropriate to the specific contract delivery practicalities.

5.21 As the vast majority of opinion was that the current public sector contractual system needed to change before collaborative bids could be accepted, it may perhaps be wise to delay promoting contract opportunities as appropriate to consortia bids until the basic public procurement process, staff and system difficulties have been addressed. The evidence suggests a need for greater communication on how the procurement system works to overcome current misunderstandings. Potential bidders’ current frustration with the system may
otherwise have a very negative effect on future levels of collaborative bidding into the public sector.

5.22 Representative bodies typically suggested the need to ‘restore faith’/ ‘develop trust’ and demonstrate the value of collaboration through examples of successful collaboration. Such examples would need to show: public sector collaborative tendering genuinely working; smaller value contracts; and appropriate application of best value procurement rules.

5.23 However, it was seen as important not to promote only the advantages of collaboration, as risks and downsides also exist (e.g. fraudulent people and the need to determine who underwrites the project overall).

**Light-touch, one-to-many support**

**Networking Support**

5.24 The need to develop strong relationships is typically a precursor to successful collaboration, so initiatives aimed at encouraging relationships to develop through effective networking support are seen as vital by SMEs, SEs and many representative bodies:

‘A collaborative network would be useful - something that could match businesses together’ (SME)

5.25 Specifically linking smaller SEs to larger ones was seen by SEs as potentially beneficial, as the larger SEs already have more direct relationships with the public sector:

‘Marriage broker. The usual suspects get most contracts - it would be great to meet them so we could get to subcontract to them’ (SME)

5.26 One representative body suggested that ‘Scotland’s propensity to be clannish’ will help in encouraging collaboration. Others suggested seminars and networking opportunities (not necessarily just about collaborating to bid for work) to encourage relationships to develop so that potential collaborators could emerge.

5.27 Two of the Social Enterprise representative bodies suggested that they may have a role to play as supplier aggregators, where their organisation would identify potential collaborators for a specific contract, and then proactively engage with those organisations in order to develop a joint bid, with the representative body organisation acting in the lead role.

5.28 The SMEs and SEs typically considered e-based support as useful for the initial networking to help collaboration, but it would be inadequate if not supported with people-based support.

**Practical Advice**

5.29 SMEs, SEs and representative bodies suggested providing direct assistance with consortia bidding processes. These processes include ensuring that the collaboration’s members are each very clear about their specific roles in both the delivery of work, and in putting the collaborative bid together:
‘A phone line would help.’ (SME)

‘We want help to put tenders together’ (SME)

‘Special support is needed for Social Enterprises. We need advice on charity accounts etc. We need advice on marketing and costing, HR advice.’ (SE)

‘Running short courses could be good – I hate conferences where they show a presentation … because there is limited personal interaction and you sometimes cannot ask questions in complete confidence. Also it is not just useful for the social sector at times.’ (SE)

‘Seminars would work – for example explaining how the % criteria actually work and where the emphasis on bid writing should be’ (SME)

‘Processes for collaboration – structure, procedures and framework arrangements – in order to protect and educate collaborators’ (SME)*

‘Behaviour and skills training in managing the dynamics of a collaboration’ (SME)*

* Please note that the last two suggestions also relate to intensive support, depending on how such support is given.

5.30 When asked what further support they could offer SMEs and SEs, half of the representative bodies either did not know or thought there was nothing more they could offer (e.g. due to legal constraints). Others suggested more in depth interventions with SMEs/SEs – e.g. workshops rather than templates, or consultancy rather than workshops.

5.31 Other suggestions for direct support included: improving potential collaborators’ and representative bodies’ own in house procurement processes and staff understanding of good procurement practice.

**Intensive, one-to-one support**

5.32 The main requirement from SMEs and SEs was for direct, practical support to assist current and potential collaborators to develop appropriate processes to make collaborating and public sector bidding more effective. The only differences in their suggestions for light touch and intensive support are the intensity of the consultancy support given, and the fact that this may refer to assisting an individual collaboration with its response to a specific tender:

‘Someone to help interpret, appraise and help deliver the bid.’ (SE)

‘Accredited practitioners to guide people through’ (SME)

‘For the public sector we want help to put tenders together as they do seem to be very time consuming and complex’ (SME)

5.33 SEs and SMEs alike wished to be able to speak to public sector representatives prior to a tender specification being issued, to determine the project need together. SEs and their representative bodies particularly referred to the value of, and need for, pre-tender involvement with the public sector. E.g. they suggested mapping existing provision of a particular service, from which
overlaps and gaps in provision would be jointly highlighted. This would then lead to the development of the contract specification both in terms of satisfying an identified and agreed need and in ensuring that the key criteria for selection reflect the practicalities of delivery of that particular service within a specific locality with its precise context and set of needs.21

‘A facilitator … would help. We would like to talk to someone from the councils about this.’ (SME)

5.34 SMEs, SEs and representative bodies also suggested the need to develop and assist leaders amongst the collaborative group with the bidding process.

5.35 It was suggested by an SE that a representative body may be well placed to act as a supply side aggregator, where the stakeholder identifies an opportunity for a collaborative bid, then effectively pulls together the collaborative group to put itself in a position to offer a complete package to the potential purchaser – for practical purposes acting as a joint venture. However when this concept was tested on a few representative bodies, it became apparent that this may be fraught with difficulties, depending on the way in which the body is constituted and on its primary remit.

Paying for the Provision of New Opportunities

5.36 SMEs and SEs expressed a range of views about paying, ranging from no fee at all through to a fixed fee or hourly rate or success based commission. A few SMEs also suggested paying small fees for events, or a small initial fee, through to payment if the advice and support was of good quality.

‘We would not want to pay as by helping smaller businesses deliver public contracts the public bodies could save significant sums. They appear to be paying too much to larger businesses who can afford full time administration only to pass the cost on to the public sector (usually at a overpriced costs).’ (SME)

‘Absolutely not! This is a false economy and will put SME’s off even more. The Government need to support skills development for the good of the economy and encourage best value supply into the environment. SME’s are struggling to survive so adding cost to their administration will do more damage’. (SME)

‘Would pay for the first event, and depending on the agenda and how good it was, may go again’ (SME)

‘You can’t bid for Public funded work with a cost incorporated in your bid to pay for bid support’ (SE)

‘[Would] not [pay] if it’s from the public sector’ (SE)

5.37 However there was a perception that the Scottish Government would demonstrate their seriousness about supporting SMEs by making the

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21 Advocated in Scottish Public Procurement Toolkit - http://www.scotland.gov.uk/Publications/2006/11/16102303/0#a3
investment free/minimal for SMEs – ‘if it was free then SMEs would know the Scottish Government are serious about supporting them’.

5.38 There was also a concern about how the support would be provided as it would need to be tailored to each sector to be relevant to the SMEs – ‘Generic support won’t work, it’s very difficult to make it relevant to individuals’.

Perceived Impact of Greater Support for Collaboration

5.39 SMEs and SEs would typically judge whether or not any support had been worthwhile on the basis of:

- Whether or not the project was won or the level of enquiries increased - typically using a cost-benefit analysis;
- Getting good feedback on the tender;
- Learning from the process – e.g. improved efficiency, increased confidence in collaborating;
- Improving bidding processes and quality;
- If new collaborators were identified or stronger relationships established;
- Its targeting - e.g. beginners; intermediates and masterclass levels of support.

5.40 Representative bodies typically considered that if additional support was available to SMEs and SEs, it should increase the number and success rate of consortia bids and thus sales revenue, employment and sustainability of the successful companies. This ranged from ‘a very small impact’ because they perceive it as a long term issue to a significant impact. Another representative body expected that the higher value contracts will also lead to more collaborative bidding. Social Enterprise representative bodies also referred to positive impacts on quality of delivery and value for money – especially if the social impact criteria are more widely adopted.

5.41 However, representative bodies considered that the actual impact achieved will only become apparent in the long term and will be determined not only by the level of support offered, but by the success in overcoming the identified industry and cultural barriers; the focus on best value in terms of return on investment; the effect of the recession; and of the funding processes used.

Responsibility for Delivering New Opportunities

5.42 The SMEs and SEs were typically unsure which organisations would be the most appropriate to assist them in collaborating. However SEs and SMEs alike suggested: ‘the commissioners’; local authorities; Business Gateway; local enterprise companies; and Scottish Enterprise. SEs also suggested the ‘Highland Council’. SMEs also suggested the Supplier Development Programme, Chamber of Commerce, Business Link, Scottish Government, and ‘people who have been a part of a consortia could deliver this support to us so they can tell from their experiences’:

‘Please not a new networking organisation’ (SME)
'There should be a third party organisation to act as an intermediary - but who? Definitely NOT the procurement companies who claim they can provide things x% cheaper than going directly to suppliers.' (SME)

5.43 The organisations seen by representative bodies as the most appropriate to assist SEs in collaborating were the existing umbrella organisations, such as some of the Local Social Economy Partnerships and/or Social Enterprise Networks. Similarly, the organisations suggested as the most appropriate to support SMEs were the business support organisations and membership bodies, such as the Federation of Small Businesses and Chamber of Commerce. Scottish Enterprise was suggested by one or two representative bodies, but their limitations in terms of which sectors and types of business that could be supported currently were perceived as restricting, and they themselves face budget issues.

5.44 However one representative body suggested that encouraging SEs to bid could be assisted by their recent discovery that it was legally acceptable to state that a particular contract is open to SEs only, although this is in fact still illegal. It is possible that this is being confused with reserved contracts for supported businesses.22 This suggests that there may be representative bodies who should be in a position to advise and assist SMEs/SEs, but who themselves need more information and support to ensure that they advise the SMEs/SEs appropriately.

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22 For information on reserved contracts see Regulations Paragraph 7: http://www.opsi.gov.uk/legislation/scotland/ssi2006/20060001.htm#7
6 – CONCLUSIONS AND RECOMMENDATIONS

6.1 This research has considered the opportunities and barriers to consortia bidding for public sector contracts. It draws on a review of the literature and interviews and workshops with SMEs, SEs and representative bodies. The research found evidence to support both the opportunities of consortia bidding, and also the barriers where more support is needed. Some suggested strategies in response to these are discussed below.

Opportunities:

6.2 There was recognition of the benefits that could come from consortia bidding. It had previously been undertaken primarily to add value to a bid (either through additional skills or capacity) and to increase the chance of winning a bid.

6.3 Nearly all of the SMEs and SEs who participated in the research had experience of working with other suppliers in delivery relationships. Whilst these were almost entirely main contractor – subcontractor relationships, where relationships are good they provide a foundation to build on in supporting consortia bidding that may include a wider range of relationships.

6.4 Consortia bidding is already well established in some sectors (such as IT and the provision of community services) and there was an expectation amongst representative bodies that SMEs' and SEs' awareness and willingness to collaborate was likely to grow. This is also likely in light of the importance with which both SMEs and SEs view public sector contracts. However, there is a clear need to increase SMEs' and SEs' awareness of consortia bidding and its benefits. Representative bodies can play an important role by disseminating such information to their SME/SE members in order to encourage collaborative bidding. This information could include examples of successful collaborations to help promote the benefits.

Barriers:

6.5 The research identified a range of barriers to consortia bidding for public sector contracts across a number of key themes: organisational and cultural barriers; the logistics of collaborating, contract scope, and perceptions of the public sector procurement process.

6.6 Organisational and cultural barriers relate to attitudes towards forming consortia. The term ‘consortia’ is itself a barrier to SMEs and SEs, who consider this to be different to other forms of collaboration. SMEs and SEs consider consortia as something too formal and as something to be avoided; whilst ‘collaboration’ appears to have different meanings for different people and is therefore confusing\(^\text{23}\).

\(^{23}\) Whilst most SMEs and SE regularly work as main/ sub contractors, this does not imply the same type of relationship that collaboration implies. Collaboration is perceived as a partnership of equals, where each party has a key part to play in delivering the bid/ the contract, and where the intention is to work as a set of equals (even if they each actually deliver varying portions of the overall work).
6.7 There is a lack of consideration to forming consortia, but where it has been considered there is also a reluctance to do so. This appeared to relate primarily to issues of trust and a potential loss of control. These barriers will be particularly hard to overcome, but evidencing successful consortia bidding and delivery may help towards overcoming such resistance over time.

6.8 SMEs and SEs identified a number of logistical barriers to consortia bidding. These included identifying suitable partners and building relationships of trust. This suggests that interventions aimed at assisting SMEs and SEs to identify potential partners would be beneficial in promoting consortia bidding. The practicalities of pulling a consortia bid together within what were felt to be relatively short timescales were also identified as a barrier. There are a number of possible ways in which these problems may be overcome: extend response timescales; apply a consistent set of documentation from bidders (where possible using the ‘one-off’ prequalification approach); and provide guidance and perhaps assistance to SMEs and SEs in developing their collaborative response processes and documentation. These findings also suggest the need to give reasons for SMEs and SEs to collaborate as an incentive to overcome these barriers.

6.9 Contract scope was deemed a major barrier to consortia bidding as SMEs and SEs felt that there was a trend towards increasingly larger contracts and that forming consortia was not an adequate response to this issue. This may be as much a perceptual issue as a reality, which implies the need to communicate better with SMEs and SEs about the volume and value of smaller, simpler contracts available from the public sector and how consistent this is over time. In some instances, the scoping issue is more about the suppliers’ difficulty in understanding the specification in enough depth to be able to respond appropriately; which a discussion with the specifier would resolve. SMEs provided examples of these difficulties such as issues around the logistical difficulties of delivering a contract as specified and not being clear on what was meant by the use of the term sustainability.

6.10 The research found a number of negative perceptions of the public sector procurement system, which formed a considerable barrier to consortia bidding. These primarily related to: onerous paperwork often within a tight timescale; specific difficulties in assembling and submitting consortia bids; the selection criteria used and their weights; a concern that there is a preference for dealing with lead contractors and/or single suppliers – particularly amongst outsourced procurement roles; and inadequate feedback to bidders. There was a further suggestion from SMEs and SEs that organisations that won tenders may not actually deliver effectively. These perceptions imply the need to improve relations between suppliers and purchasers, perhaps through staff training about SMES/SEs and consortia, provision of information and other activity to improve purchasers’ and bidders’ appreciation of each others’ contexts.

Support to encourage consortia bidding:

6.11 There appears to be a lack of support to promote and encourage SMEs and SEs to collaborate for public sector work and very limited evidence of
successful collaborations. Whilst this study has found that it is critical to address the identified barriers above if collaborative bidding is to be encouraged, it also suggests that once steps are in place to achieve this, many will need additional support to encourage them to bid collaboratively. This support would necessarily comprise a range of information and practical and pro-active support to potential bidders.

6.12 The research also highlighted the lack of understanding amongst the SMEs and SEs of the public sector’s need to be open, honest, fair and transparent and comply with EU legislation etc. when selecting contractors. Equally, whilst there is an obvious desire and commitment from the public sector to enhance the access of SMEs and SEs to public sector contracts, the research suggests a lack of understanding amongst procurement staff of the bidders’ contexts. Support therefore also needs to address the lack of understanding of the procurement and consortia bidding process,

6.13 There was a concern that not all public sector procurers were using the single portal. However, it is relatively new and its uptake is being actively promoted.

6.14 The research identified a clear need to increase SMEs’ and SEs’ awareness of the benefits of, the range of support for, and the opportunities for, collaborative bidding, although representative bodies expressed some scepticism about the take up of available support.

Recommendations:

6.15 Based on the evidence from this research there are a number of possible actions that could usefully form the basis of a strategy to encourage consortia bidding. It is likely that representative organisations will have an important role to play.

6.16 Communication emerged as a key issue during the research and relates to:

- Raising awareness and communicating the benefits of consortia bidding amongst SMEs and SEs. Including case studies of successful collaborations could be helpful in this regard.
- Raising awareness of the support available for collaborative bidding.
- Increasing awareness of the smaller scale contract opportunities and the numbers of these which are available.
- Countering negative perceptions of public sector procurement process.
- Improving bidders’ and purchasers’ understandings of each others contexts – potentially through options such as work shadowing.
- Addressing negative preconceptions of the term ‘consortia’ to ensure understanding of it as generic term encompassing a range of relationships.

6.17 Working with SMEs and SEs in the process of addressing the issues raised in relation to the identified public sector procurement system barriers will be helpful in improving both understanding and relationships.
6.18 Providing guidance on consortia (or increasing awareness of increasing guidance) to bidders to help with the practicalities of forming a bid, and to purchasers to help in assessing consortia on the same basis as single suppliers.

6.19 Such guidance could provide part of full range of support that SMEs/SEs and representative bodies identified as helpful ranging from generic information to more intensive tailored support.

Opportunities for Quick Wins

6.20 The current and short term economic outlook suggests there is very little time to demonstrate to SMEs and SEs that they have a genuine opportunity to supply the public sector which they perceive as offering them a future. There appear to be some opportunities for quick wins, including explaining the difference in collaboration and collusion; allowing key collaborative partners access to vendor briefings; demonstrating the volume of smaller tenders that are still being issued (and ideally, if possible the proportion won by SMEs/SEs); increasing response times where possible; promoting and welcoming consortia bids; improving the quality and depth of feedback; communicating planned changes; developing some support materials such as case studies; and shadowing public sector procurement and private/third sector bidding roles.

6.21 A mid-programme review of the PPRP implementation to date is currently underway. It is therefore quite likely that a number of the recommendations that are made above will have been taken into account in that process where appropriate.
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**Scotland Specific Documents**


**SME Collaboration**


**Social Enterprise Collaboration**


• Gazley, B and Brudney, J.L. (n/d) The Purpose (and perils) of Government-Non-profit Partnership, *Nonprofit and Voluntary Sector Quarterly*.


**International Documents**


**APPENDIX 1 – LITERATURE REVIEW**

There are two key parts to the review of current literature. The first part is about access to procurement and about forming consortia to access procurement. The second part assesses the barriers and opportunities to SMEs and SEs in Scotland in accessing public procurement opportunities through consortia bidding.

**SMEs, SEs and Public Procurement**

This section provides an overview of current literature on small and medium enterprises (SMEs), social enterprises (SEs) and public procurement, in order to set the scene for understanding the opportunities and barriers faced in accessing public sector procurement opportunities through consortia bidding in the Scottish policy and practice context.

At a general level, the literature review has identified an array of publications and material around the issue of SMEs and SEs and public procurement. This reflects a number of factors, not least the assumed benefits to economic competitiveness and productivity of public procurement but also notions of social responsibility within larger organisations (as prime contractors) working with SMEs and SEs in development of the supply chain and business base. Within this literature, there is a clear narrative around the commitment of public sector organisations to enhancing the access of SMEs and SEs to public sector contracts. In practice, this has manifested itself in the introduction of a range of policies, guidance notes and programmes of support, some of which have come and gone with specific funding streams, whilst others have been refined and updated to meet changing needs of contracting authorities and/or SMEs and SEs.

However, a number of recent reviews (such as McClelland (2006) in Scotland and Glover (2008) in England) and publications from business representative organisations have questioned the extent to which such policies and support have impacted on the uptake of public sector contracts by SMEs and SEs.

Interestingly, in comparison to the body of literature around SMEs, SEs and public procurement, there are far less articles and publications about SMEs or SEs working collaboratively or in consortia to access public sector contracts. The majority of insights in the literature relate to the experiences and examples of contracting authorities working together in consortia, as a way of achieving economies of scale and ‘value for money’ in procuring services. As a result, insights as to why and how SMEs and SEs may work in consortia have to be inferred from the wider literature on business collaboration and relationships (see, for example, Dyer, 1997; Anslinger and Jenk, 2004). This lack of evidence poses a challenge to developing forms of business support to assist SMEs and SEs in addressing the key “how to’s” associated with working in collaboration with other enterprises.
The Landscape – The Importance of Public Procurement

Over the last ten years, governments across a range of developed market economies have assessed ways in which procurement activities can benefit the development of businesses, other forms of enterprise and local and regional economies. In part, this interest reflects the proportion of GDP accounted for by current levels of public expenditure. For example, in 2004, Wood (2004) noted the public procurement market accounted for 15 per cent of the GDP in the EU economy. More recently, the Glover Review (2008) highlighted that public sector spend on procurement amounted to 13 per cent of GDP in UK. In Scotland, the McClelland Review (2006) identified that the total expenditure from the then Scottish Executive was approximately £30 billion in 2006/2007. The annual expenditure of Glasgow City Council is approximately £2.5 billion and Scottish Enterprise spends about £300 million per annum on economic development. With such levels of expenditure, the procurement activities of the range of organisations which constitute the public sector (see Chapter 1 above) can potentially have a significant impact on business and regional development.

A narrative has developed within the popular press and lobbying from business associations as to the perceived inefficiencies with the procurement process and the extent to which contracts are awarded to SMEs and SEs. For example, in Scotland, there have been recent calls by the Professional Contractors Group to ensure SMEs are not disadvantaged in the procurement of government IT systems.24 Similarly, in England, there is a current debate around the degree to which smaller businesses, as opposed to large training providers, will be able to access opportunities emerging from the changes in the delivery of welfare to work programmes (The Observer, 8th February 2009).

Whilst it is unlikely that SMEs and SEs, either on their own or in a consortium with other SMEs and SEs, would be able to deliver such contracts, there are more regular calls for SMEs and SEs to have greater accessibility to opportunities for winning public sector contracts. In the UK, the 2008 Pre-Budget Report set an ‘aspirational’ target of SMEs winning 30 per cent of all public sector business by 2013 (HM Treasury, 2008). However, the Glover report (2008) came out strongly against this target. Whilst there is evidence to demonstrate that SME spend is higher than this target in Scotland, there is a perception that winning public sector contracts is difficult for SMEs and SEs.

The Issues: A Review of the Reviews

In response to issues surrounding the access of different groups of businesses to public sector contracts there have been a number of government commissioned reviews of public procurement processes and practices. Since the findings of the Gershon Review were published in 1999, there have been five reviews of different aspects of public procurement within the UK. The most recent have been the McClelland Review of Public Procurement in Scotland (2006) and the Glover Review of SMEs and procurement in England (2008).

24 http://www.computescotland.com/2042.php
There are a number of common features to these reviews. First, they all reinforce the potential impact of public expenditure on the development of different groups of business and local and regional economies. For example, the HM Treasury Green Book outlines the potential impact on multiplier effects associated with local purchasing of public services. Second, they identify a clear set of drivers or motivations to enhancing the efficiency and effectiveness of public procurement in terms of value for money, competition and diversity in the business base, and innovation in service and product development and design. The reviews all draw upon specific examples or case studies of where public procurement has facilitated such drivers to change (see, for example, CBI, 2006).

Third, they identify a series of recent developments which have improved the accessibility of procurement opportunities to groups such as SMEs and SEs. From the perspective of the contracting authorities, Smith and Hobbs (2001) note that the level of understanding amongst procurement teams of the issues faced by businesses in accessing procurement opportunities has increased, along with the skills of procurement staff (e.g. with CIPS accreditation and qualifications). There has also been government guidance around encouraging collaboration in responding to public sector contract notices. In England, for example, government departments such as the Department of Work and Pensions have issued guidance around the need for prime contractors to explore ways in which they can develop the capacity of the sector through working with other third sector organisations in the delivery of large employment and welfare to work programmes (VONNE, 2007; Office for Third Sector, 2008). In addition, there is an increasing array of business support programmes targeted at assisting businesses in identifying and responding to public sector contract opportunities. From the business perspective, there is also evidence that major events such as the 2012 Olympics in London and the 2014 Commonwealth Games in Glasgow have impacted upon levels of awareness of the opportunities for certain groups of businesses in working with the public sector (PricewaterhouseCoopers, 2008).

Fourth, the various reviews identify a set of common barriers and challenges in accessing public procurement opportunities such as a lack of transparency, the level of bureaucracy and compliance and the lack of single reference points which assist businesses in identifying and responding to bidding opportunities (see below for a further analysis on these barriers and challenges). As a result, the reviews outline a set of recommendations around the types of support required to overcome the identified barriers and challenges. In Scotland, for example, the McClelland Review (2006) identified the need for a single portal and centre of expertise to support procurement activity in certain sectors. Both have been recently introduced.

Indeed, the final commonality across the reviews is that they draw upon evidence to highlight that certain groups of businesses do not have equal access to public procurement opportunities. There are a number of studies which have focused on the experiences of SMEs in working with the public sector and ways in which SMEs can be supported in winning a greater proportion of public procurement opportunities. These studies suggest relatively low levels of engagement with the public sector, in comparison to levels with the private sector, reflecting a number of concerns related to simplicity, transparency, accessibility and responsiveness (Jost et al., 2005; Glover, 2008; Scorecard Working Party, 2008).
Alongside this interest in SMEs, there has recently been an emergent strand of activity around encouraging increasing SEs awareness of the opportunities for working with the public sector (Office for the Third Sector, 2008). This interest forms part of a wider debate surrounding the role of social enterprises and other third sector organisations in the delivery of public services such as education, health and social services. As a result, guidance has been issued from government departments, such as the Department for Work and Pensions, and from the Third Sector Division in the Scottish Government as to how SEs can work together in consortia, particularly with larger organisations, to access income from larger welfare to work and employment contracts. In certain areas of the UK, this guidance has been complemented by programmes of support to assist SEs in accessing public sector contracts. For example, in Glasgow, a number of the regeneration agencies have social economy advisers who can provide advice, guidance and signposting to other sources of support to SEs interested in tendering for public sector contracts.

**Understanding How SMEs and SEs Procure Public Sector Contracts**

The literature review highlights very few accounts which focus explicitly on the ways in which SMEs and SEs procure public sector contracts. Those studies which do consider the activities undertaken to respond to public procurement opportunities tend to focus on guidance to the business in a ‘how to’ format (see, for example, the Department of Finance and Personnel, 2004). Accordingly, these studies are grounded in the practicalities of procuring a public sector contract, usually from the perspective of the contracting authority, rather than providing a conceptual framework based on the experiences of the SME or SE.

In contrast, there are a limited number of publications which provide ‘stage’ models of public procurement. The main characteristic of such models is that the decision to respond to a specific public contract opportunity follows a sequential process associated with a number of stages, with each one characterised by a typical behaviour. The number of stages contained in such models typically varies from four to six; for example, the model outlined by the Scorecard Working Party contains four stages. These stages were: identify the contract, bid for the contract, win/lose bid and deliver the contract.

It is important to distinguish, however, between stage models and process models. O’Farrell and Hitchens (1988, p.1371), in a review of stage models of growth, note that ‘some of them seem little more than heuristics classification schemes rather than a conceptualisation of the processes underlying growth’. Although stage models may be useful in assisting the identification of different stages in procuring a public sector contract, they do not provide a detailed understanding of the process of procurement within the business. In addition, they assume that the business will pass through all stages of development, and that different types of business will exhibit similar types of behaviour.

Although there is a lack of studies which provide a framework to explain the process of procurement as experienced by a SME or SE, there are studies which focus on a particular aspect of the process, typically identifying contract opportunities and bidding for the contract. Again, these tend to be descriptive in nature and offer practical advice on the key “how to’s” to SME and SE owner-managers.
One of the most commonly reviewed stages is the identification of contract opportunities. As noted above, this stems from the actions of Governments to create a level playing field in access to potential opportunities, regardless of the size of the supplier. To this end, there are a number of hard-copy and web-based guides which list the procurement gateways (e.g. Public Contract Scotland, Supply2gov, Skillfair, the new Scotland procurement portal), ‘how to’ guides and events and seminars which provide contracting authorities an opportunity to disseminate information about the different ways of identifying public contract opportunities. There is less support around ways in which SMEs or SEs can review the appropriateness of different procurement opportunities to the business (Scorecard Working Party, 2008). A key aim of these resources will be to assist businesses in moving towards proactively identifying opportunities, as opposed to developing awareness reactively (e.g. being passed opportunities from other businesses such as contractors). This will provide them with a greater degree of flexibility in how they bid for a contract, particularly in terms of the time and investment required to develop consortia bid.

The Challenges and Opportunities

As noted above, business size is one of the most analysed correlates of success in procuring public sector contracts due to a common narrative that smaller organisations experience a greater number of difficulties in procuring public services in comparison to larger firms. As a result, a number of studies including Barter and Sen (2008), Bjork (2007), Eadie et al. (2004), Jost et al. (2005), Scorecard Working Party (2008) and Smith and Hobbs (2001) have explored the barriers and opportunities which SMEs, and to a lesser extent SEs, face in procuring public sector contracts.

Not surprisingly, surveys of the experiences and perceptions of SMEs and SEs identify a wide range of challenges and opportunities. At a general level, these can be grouped into four key themes:

- **Identifying public sector opportunities**: It is suggested that SMEs have less awareness than large businesses of ‘how to’ find out about the opportunities that are available in the public sector. However, this situation may be changing with the introduction of procurement portals and tender identification services from both public and private sector organisations (Glover, 2008) Bodies representing SMEs suggest that smaller businesses lack time to effectively pursue public sector opportunities and take on what can be perceived as a complex process (Scorecard Working Party, 2008).

- **Bidding for public sector opportunities**: Work by Barter and Sen (2008), Michaelis et al. (2004) and the Scorecard Working Party (2008) highlights a number of challenges associated with: (i) the ambiguity surrounding certain forms of language used in tender documentation (e.g. the difference between collusion and collaboration); (ii) the implications associated with certain requests about the type of organisation likely to be successful (e.g. insurance limits, quality assurance thresholds, policy statements), (iii) the increasing trend towards e-based procurement and the ability to use such systems amongst smaller businesses: (iv) the lack of personalised guidance in addressing questions emerging as part of the bidding process; (v) the need to submit complex submissions within relatively tight timescales, and
(vi) the inconsistencies between the information required and the format of the submission (e.g. requests for sustainability policies and the submission of a large number of hard copies of the tender and supporting documents). The complexity of public sector e-procurement technologies (Smith and Hobbs, 2001; Eadie et al., 2004) is a further barrier. There is also a lack of awareness of appropriate contracts that match SMEs specific skill sets of areas of expertise (CBI, 2006) and where to find support to address such barriers and challenges and (CBI, 2006).

- **Competing for public sector opportunities:** SMEs and smaller SEs feel unable to compete with larger organisations operating in their market place. This builds on the concerns related to the bidding process. It is also argued that the perceived trend towards aggregation and bundling of procurement opportunities in the public sector will discourage responses from smaller businesses who are unable to provide economies of scale and value for money (CBI, 2006). In part, this reflects evidence of SMEs perceiving that they have poor relationships with public sector agencies vis-à-vis larger organisations, reflecting attitudes towards risk and value for money amongst procurement professionals (Hellowell and Pollock; Glover, 2008; Scorecard Working Party, 2008). Indeed, the move towards larger and longer contracts and the rationalisation of the number of suppliers can reinforce the perception that contracts are becoming too large for some SME suppliers (Anderson, 2009).

- **Delivery of public sector contracts:** There is evidence to suggest that SMEs feel that it is significantly harder to deliver to the public sector than to the private sector (Smith and Hobbs, 2001; BRTF and SBC, 2003). There has been an ongoing debate around the payment terms of public sector authorities and whether SMEs are disadvantaged by these terms. In response to such concerns, certain public sector authorities and agencies (e.g. RDAs in England and local authorities in Scotland) now outline payment terms within any tender documentation. The Scottish Government has always monitored payment within 30 days, and this has now been changed to payment within 10 days. This provides the supplier with the appropriate information which can be used in deciding whether to respond to a specific opportunity or not. These challenges around competing for, and delivery of public sector contracts have generated a narrative within the SME community that they are not given a ‘fair’ chance against larger companies that are also operating in the same procurement process. Therefore, there may be a need for closer relationships between contracting authorities, SMEs and representative organisations to raise awareness of examples of where SMEs have successfully competed for, and delivered public sector contracts (CBI, 2006).

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26 http://news.bbc.co.uk/1/hi/scotland/7708900.stm
27 http://business.scotsman.com/6983/V/c/Chief-warns-small-firms.2760041.jp
Over the last five years, a range of different developments and programmes of support have been introduced to assist SMEs and SEs to address these barriers and challenges. These have included ‘how to’ and step-by-step guides, information portals, e-procurement systems, advice and guidance, training and coaching and mentoring to assist SMEs and SEs to embed learning within the business. In the majority of cases, these services provide objective information, as opposed to more experiential information which is gained from closer networks of support such as other businesses and customers and suppliers (Gibb 1997). This latter type of information tends to be specific and relate to the key problems or “how to’s”, whilst objective information tends to provide insights which can be across a range of different contexts. However, the quality of information and advice gained from networks of business acquaintances and customers vary in quality, and the depth and extent of such networks varies between businesses.

Collaboration and Consortia Bidding – Types, Structures and Strategies

Alongside the literature on the experiences of SMEs and SEs and procurement, there is a small but developing literature which explores the opportunities and challenges associated with the use of collaboration and consortia as a way of accessing public sector contracts.

There are references to the need to support such behaviour within the majority of the reviews of public procurement, such as Wood (2004), McClelland (2006) and Glover (2008), but there is little guidance in the literature as to how SMEs and SEs can collaborate to access public sector contracts. In comparison, there is a far greater emphasis on exploring ways in which contracting authorities can work together in consortia as a way of procuring services. For example, the section in the McClelland Review (2006) on collaboration outlines a set of strategies for contracting authorities to work together.

Given the developing nature of the literature on collaboration and consortia bidding, there is a need to review the wider literature on business collaboration (for example, Atherton, 2003) to develop an understanding of the motivations and drivers, processes and benefits to be gained from encouraging consortia bidding.

The review of the literature on business collaboration identifies a number of motivations and drivers associated with collaboration which include:

- Exposure to different ways of developing and delivering new products and services
- Access to complementary expertise and skills which can widen the product and/or service offered
- Additional capacity to assist in bidding for larger and/or more complex public sector contracts which may lead to developing a track record with certain types of client
- Way of achieving economies of scale
- Extension of networks and relationships to assist in identifying procurement opportunities.
These benefits need to be communicated to businesses to assist in addressing two key questions faced by SMEs and SEs: ‘can’ and ‘should’ the business work with others?

These drivers lead to different forms of collaboration which can range from subcontracting relationships (see, for example, McClelland, 2006), to a groupings of businesses working together to respond to a specific opportunity, to a grouping of businesses within a sector sharing information on procurement trends within the sector (Gibb et al. 1998).

Jost et al. (2005) provide a more layered definition in referring to collaboration as ‘a form of working in association with others for some mutual benefit’ (p. 337). They identify a number of different forms for collaboration agreements including:

- Joint ventures between a supplier and the client
- Special purpose vehicle (SPV) set up by several supplier companies
- Consortia with one prime contractor and one or more sub-contractors.

An informal alliance can provide a vehicle for businesses to collaborate without investing in the legal establishment and management of a new venture and the associated regulatory and legislative issues (Campbell et al., 2002).

The selection of a collaborative structure will be influenced by:

- The learning and working styles of the partners
- The degree of existing trust in the relationship between the partners
- The level of risk associated with the specific opportunity
- The nature of the opportunity and the complexity and duration of the project.

The interplay between these factors will lead the businesses to the selection of a specific form of collaboration, although there is evidence that a key issue for businesses is matching the different forms with specific opportunities, and dealing with the associated logistics. Indeed, work by Veryard (2001) and Jost et al. (2005) highlights the selection of the structure for working together as a key stage in the collaboration process. A structure which is not ‘fit for purpose’ will lead to tensions between partners (e.g. in managing the balance between risk and reward), undermining sustainability over the near to mid-term (Gibb et al., 1998; Jost et al., 2005).

A number of other activities can be identified which a SME or SE may undertake in working collaboratively to access public sector opportunities. These include:

- Identification of potential partners. The key ability here is matching and mobilising partners around specific opportunities
- Identification of procurement opportunities where consortia bids are identified as a potential way of delivery of the contract in the specification

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28 A special purpose vehicle is an organisational structure or company that is created solely for a particular financial transaction or series of transactions. It may sometimes be something other than a company such as a trust.
• Formation of the partnership which may involve the development of an internal contract specification. In certain instances, such as a one-off, focused contract, an informal agreement may be appropriate which outlines responsibilities of the respective partners and a project lead. In other instances, such as a contract related to a major engineering or construction project, resource will need to be invested in the formation of a legal entity with the associated sunk costs.

• Development of the response, which will involve a set of activities related to management of the partnership and consortia in co-ordinating efforts to submit the response on time. This will include liaising with the contracting authority in clarifying issues around the tender specification, pulling together of standard company information, writing and reviewing the response with the partners and formalising project management responsibilities.

• Financial and contractual arrangements which may involve raising of finance on highly complex procurement opportunities.

• Submission of the response to the contracting authority. This may involve submitting further proposals if the original submission was an expression of the interest or PQQ.

• Feedback and review from the contracting authority. If successful, this will involve agreeing next steps with the authority, whether this is when to submit a further proposal (for example where a pre-qualification questionnaire leads through to an invitation to tender) or organise an inception meeting to start the project. If unsuccessful, this will involve gaining feedback on strengths and weaknesses of the response. This is an important activity in forming and maintaining a relationship with the contracting authority initiated in developing the response.

In terms of experience or expertise of the partners in working together, for instance, for businesses with none or limited experience and expertise, the process is considered to be highly complex, costly, time consuming and characterised by a number of unknowns (Gibb et al., 1998). In comparison, businesses who have successfully worked in consortia a number of times, have developed strategies to effectively manage the process and embed collaborative strategies within the culture of the business. In addition, they have relationships with a range of formal and informal sources of support to address any specific problems or challenges which arise.

Therefore, there may be opportunities to support the exchange of experiences between businesses in raising awareness of the option to form consortia and dealing with some of the logistical and strategic issues associated with working with other businesses.

**Consortia Bidding – Barriers and Challenges**

However, this process of collaboration is undertaken within a context of a general lack of awareness and/or understanding of the opportunity to work with others in consortia in winning public sector contracts (Smith and Hobbs, 2001). The review identified a lack of examples within a UK policy context of successful collaboration amongst SMEs and SEs in accessing public sector contracts. In comparison, there are numerous examples of ‘successful’ collaborations between contracting
authorities (MacFadyen, 2001). For example, the NHS Purchasing and Supplies Agency (PASA) is responsible for the coordination and guidance of NHS procurement and lets national strategic contracts that NHS trusts have to use unless they can demonstrate better value for money from other arrangements.

Such an emphasis on the experiences of contracting authorities does raise an issue about the ways in which awareness and understanding can be generated amongst SMEs.

Whilst there are examples from other developed market economies, different political and institutional values and norms may hinder the transfer of such experiences and practices. There are a number of aspects to this debate. At one level, the representative bodies interviews provided evidence to question the relevance of the recommendations of the Glover Review (2008) within Scotland, with the differences in political and institutional frameworks between the two countries. However, there is a question surrounding to what extent these differences would hinder or facilitate the introduction of some of the recommendations, given the legal frameworks for public procurement within England and Scotland are driven by wider EU legislation.

For example, the experiences summarised by Wriggleworth (2007, 2008) of the New Zealand government in engaging with SMEs in developing and shaping demand-led enterprise policy and practices in the country may reflect a set of highly specific economic and socio-cultural factors which are not evident elsewhere). Until recently, New Zealand has adopted a highly protectionist position in terms of domestic markets which has been atypical amongst developed market economies. This position may have facilitated greater links between the Government and small businesses which may not be evident in more open economies (Massey and Ingley, 2007). Further examples of international effective practice in procurement are listed within the references at the end of this Appendix.

The limited evidence does highlight that working in consortia provides an additional layer of complexity to the challenges and opportunities outlined above. For example, an individual business may encounter problems in collecting and collating the relevant documentation required to demonstrate professional standing. Within a consortium, the project lead may have to collect, review and standardise such documentation from all the partners or a sub-contractor may have to fit their documentation into the format of the lead contractor.

In addition, Bishop (2003), Jost et al. (2005) and the Office for the Third Sector (2008) note there will be some specific barriers and challenges related to:

- Clarifying the openness to collaboration when responding to a specific contract opportunity;
- Identifying potential partners and the roles of these partners within the process;
- Managing the logistics of the process;
- Maintaining the relationship of potential partners:
To assist SMEs and SEs in addressing some of these barriers, local and regional governments have issued guidance notes to outline the key characteristics of consortia bidding, the key benefits and challenges and sources of support. This has been complemented by an emerging area of business support, which aims to support SMEs or SEs working together. To support SMEs and SEs in finding appropriate partners, for example, the CompeteFor website has a section which enables registered businesses to upload a capability section which can be searched by other businesses. The updated website of the Glasgow Chamber will have a similar capability section which will enable members to network amongst themselves in finding partners.

However, it is important to highlight that there is a lack of data as to the extent and scale of SMEs and SEs working together in accessing public sector contracts. Whilst there are a number of anecdotes and case studies (see The Cabinet Office, 2008), the literature review identified very few examples of successful collaboration and a lack of publicly-available statistics which provide an indication of the extent and nature of collaboration.

**SMEs, SEs and Consortia Bidding in Scotland**

This section outlines the policy context within which public sector procurement in Scotland currently operates. It provides an outline of the legal framework that applies to all public procurement activity in Scotland and summarises the fundamental principles that underpin it. In this context, it also provides an overview of the policy and institutional landscape within Scotland and the situation both pre and post the McClelland review of Public Sector Procurement published in March 2006. Finally, it focuses on the activity and outcomes that have emerged as a result of the Public Procurement Reform Programme (PPRP) that came about as a result of the recommendations outlined within the McClelland review and highlights other external factors and developments that may influence public sector procurement policy in Scotland going forward.

**The Legal Framework**

As outlined in the Scottish Procurement Policy Handbook (Scottish Government 2008), the legal framework for public procurement in Scotland is driven by:

- EC Treaty obligations
- EC Procurement Directives, as implemented in national legislation, and
- European Court of Justice and national case law.

The EC Treaty applies to all public procurement activity regardless of value, including contracts below the thresholds at which advertising in the Official Journal of the European Union is required and including contracts which are exempt from application of the EC Procurement Directives.

Fundamental principles flowing from the Treaty include:

- **Transparency** – contract procedures must be transparent and contract opportunities should generally be publicised
• **Equal treatment and non-discrimination** – potential suppliers must be treated equally
• **Proportionality** – procurement procedures and decisions must be proportionate
• **Mutual recognition** – giving equal validity to qualifications and standards from other Member States, where appropriate.

EC Procurement Directives 2004/17/EC and 2004/18/EC set out detailed procedural rules which are based on the principles outlined in the EC Treaty and which are intended to support the single market by harmonising procedures for higher value contracts, ensuring that they are advertised in the Official Journal of the European Union in standard format.

These Directives are given effect in Scottish law by The Public Contracts (Scotland) Regulations 2006 (SSI 2006 No 1) and The Utilities Contracts (Scotland) Regulations 2006 (SSI 2006 No 2) which came into force on 31 January 2006.

Prior to implementing EC Procurement Directives in national legislation, the Scottish Government will consult publicly on its approach to implementation and/or draft legislation.

Further information relating to EC procurement law is provided in the Scottish Procurement Policy Handbook.

Decisions of the European Court of Justice and the national courts provide interpretation of the requirements of the EC Treaty and the EC Procurement Directives and can establish precedents which must be observed. Case law, by its nature, is constantly evolving and can have significant effects.

**Scotland Pre-McClelland Review (2006)**

In June 2004 the Scottish Executive launched the Efficient Government Initiative (Scottish Government, Building a Better Scotland, 2004), this was a 5 year programme with the aim to address issues around wastage, bureaucracy and duplication in Scotland’s public sector and establish Scotland as a leader in efficiency, innovation and productivity in the delivery of public services.

Collaboration and eProcurement were regarded as two key areas where efficiencies could be realised. The report recommended the acceleration of the eProcurement programme and an extensive review of procurement practice across the public sector (completed by John McClelland in 2006).

One of the main arguments emerging from McClelland’s (2006) analysis was that the public sector structure in Scotland was so ‘organisationally and financially fragmented’ that it had been difficult for public sector organisations to aggregate spend and support the drive towards the achievement of Best Value\(^\text{29}^\).  

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\(^{29}\) Best Value requires that public bodies ensure continuous improvement in their customer focus and in how they manage, pay for and deliver services (Scottish Government, Building a Better Scotland, 2004).
This granularity posed huge challenges to the public sector to operating in a cohesive way towards procurement. The situation was reflected in the sheer number of government departments that existed within Scotland at this time:

- 32 local authorities
- 22 health boards
- 63 Universities and colleges
- 9 Scottish Executive Departments
- 66 Non-Departmental public bodies
- 8 police forces
- 8 fire brigades
- Plus a range of other publically funded/owned Agencies and non-devolved bodies.

McClelland (2006) argued that historically there had been limited opportunity for private enterprises in Scotland to enjoy natural or organic growth or to exploit opportunities as a result of generally limited economic growth and relatively low levels of inflation in the period up until 2006. He argued that companies were therefore keen to exploit other avenues in search of growth and that high value public sector orders offered the kind of value that they would seek.

McClelland (2006) referred to a number of developments in the years prior to 2006 that have brought about significant improvements in the public sector procurement structure.

The installation and partial adoption of the eProcurement Scotland30 (ePS) service has pointed towards an increasing focus on the theme of collaborative procurement in the public sector. The ePS represents one of the most significant commitments to eCommerce by any government organisation, generating immediate cost savings, improving management information and supporting coordinated purchasing (Building a Better Scotland, The Scottish Government, 2004).

McClelland (2006) also argued that there had been a general improvement in the central development of procurement policies within the Scottish Executive and an increased spread of procurement best practice. Notable examples of this are seen in the development of collaborative organisations such as the Society of Local Authority Chief Executives (SOLACE Scotland) and the Authorities Buying Commission (ABC), recently replaced by Scotland Excel.

Despite these developments, McClelland (2006, p.7) felt that in many areas there still existed weaknesses in resources, skills, organisation, structures and practices which ‘adversely impacted upon the achievement of minimum standards’ and failed to “provide a good foundation for the pursuit of Best Value and further costs savings through enhanced performance.”

McClelland (2006) cites two examples of emerging best practice in terms of procurement activity, but suggests that both have suffered from limitations and restrictions. The Health Service Best Procurement initiative (BPI) is referred to as a sound and far-reaching approach to procurement, but one that has required senior

30 [www.eprocurementscotland.com](http://www.eprocurementscotland.com)
executive and ministerial intervention to maintain progress. The Authorities Buying Commission (ABC), recently replaced by Scotland Excel, which endeavours to represent all 32 local authorities is also praised.

**The McClelland Review of Public Procurement in Scotland**

The McClelland Report was published on the 15th March 2006 and has had a huge influence on subsequent reform in this area.

The review was asked to consider:

- Current structure and organisation of procurement activity
- Current skills and capability deployed on procurement
- Current practices and procedures
- Performance indicators and targets applied to procurement activity
- Ways to achieve efficiency improvements through greater collaboration
- Whether e-procurement techniques such as e-procurement Scotland and purchasing cards are being fully and efficiently utilised
- Whether there is scope for the Gateway process to be further deployed across the public sector, to ensure that proper project management arrangements are in place for major procurement decisions
- What lessons can be drawn from experience elsewhere.

McClelland (2006) felt strongly that there was a need for definition and pursuit of an ideal model for public sector procurement where the most senior levels of management within public sector undertakings placed a high priority on procurement. His vision also demanded a greater importance to be placed on the procurement function within public sector organisations and more value placed on the importance of professional training and accreditation for procurement professionals.


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31 Objectives of the McClelland Review are taken from the Public Procurement Reform Programme Overview Document (published by the Scottish Procurement Directorate and Scottish Government)

- Recognition and implementation of the principles of good governance and accountability as they apply to procurement activities within the public sector.

- An overall organisational structure in which the procurement function is recognised as a high priority operation.

- An adequately-staffed procurement organisation in terms of resources and skills and where enhancement of those resources and skills is perceived as an investment providing a financial return.

- The operation of sound practices and business processes that fully address the complexity and criticality of procurement activities and transactions, including the wider responsibilities of the public sector.

- The existence of effective information systems supporting the procurement operation and assisting its performance including the ability of internal users to access an information system at their work place and request goods and services independent of the organisation (local or remote) which has established the original contract.

- Leadership of, and within, the procurement function which ensures not only the deployment of policy, accountability and best practice but also the appropriateness of staff development, training, career paths and other ongoing skills and people-related support.

- All of the above contributing to highly-advanced and effective capabilities including collaborative procurement which consistently deliver Best Value performance and support a competitive but transparent and equitable environment for suppliers.


Public Procurement Reform Programme

The Public Procurement Reform Programme (PPRP) was initiated in direct response to the recommendation outlined in the McClelland Report (2006) with the aim to support the implementation of new structures, capability and processes delivering continuous improvement across the Scottish Public Sector. The programme also strived to support the delivery of Value for Money improvements and increased efficiency in public procurement.

The Public Procurement Reform Board provides strategic direction and support to monitor the progress of the procurement reform agenda. It informs and is informed by the work of the Procurement Reform Delivery Group and the Public Procurement Advisory Group.32

32 Purpose of the PPRB is taken from http://www.scotland.gov.uk/Topics/Government/Procurement/about/Review
The PPRP includes a number of workstreams based on the outcomes and recommendations of the McClelland (2006) review that are relevant to almost all public sector organisations.

McClelland (2006) recognised that there were areas of good practice and excellence within the system already; however his vision was to re-organise and establish a clear direction in terms of what could be done at a national, sectoral or local level to achieve Best Value and leverage in context of competition, economic and social considerations.

To assist in this process McClelland’s (2006) recommendation was that commodities and services should be categorised into one of four categories depending upon the nature of the interface with the public sector, as shown in Diagram 3 below.
A major development to emerge from the McClelland review (2006) has been the establishment of five Centres of Expertise across Scotland that have been set up to lead the procurement of key commodities on a shared/collaborative basis for the organisations that they represent.

At a national level Procurement Scotland is responsible for developing and implementing procurement strategies where a single interface with the public sector facilitates efficiency and competitiveness of suppliers.

Five further Centres of Expertise have been established to manage the procurement of goods and services that are defined as **Category B** in key sectors:

- The Central Government Centre of Procurement Expertise (CGCoPE) is responsible for leading and facilitating collaborative procurement activity for Scottish Government Agencies, Non-Departmental Public Bodies (NDPBs), Tribunals and Public Corporations
- The Advanced Procurement for Universities and Colleges (APUC) is responsible for Higher and Further Education Sector
- Scotland Excel is responsible for Local Authorities
- NHS National Procurement is responsible for Health
- Fire Scotland, a dedicated Centre of Expertise for procurement within the Scottish Fire and Rescue Service.
- Police procurement is coordinated through Strathclyde Police.

The role and objective of these Centres of Expertise is to deliver collaborative national/sector procurement strategies and contracts that deliver Best Value for Scotland/sector and to enable and drive procurement capability and expertise.
Centres of Expertise also have a responsibility to facilitate and drive best practice in public sector procurement in terms of:

- Adherence to Legal, EU & Policy
- Benchmarked & Consistent Strategic Procurement Processes (Toolkit)
- Responsible Procurement
- Process Efficiency & eEnablement
- Performance Management
- Supplier Engagement / SRM / Supply Chain Management.

**Procurement Policy**

In 2008 the Scottish Government, as part of the PPRP, published the Scottish Procurement Policy Handbook that sets out the fundamental rules, behaviours and standards by which public procurement activity in Scotland should adhere. As recommended in the McClelland review (2006) compliance with the principles of the handbook is regarded by Ministers and the PPRP Reform Board as mandatory.

The handbook is designed to be used in conjunction with Scottish Procurement Policy Notes and supporting documents issued by the Scottish Procurement Directorate (SPD) and organisation’s policy manuals. It has not been designed to replace any existing guidance, but provides a framework against which public procurement activity should take place in Scotland.

The changing procurement landscape in Scotland is outlined within the handbook and provides detail the key roles and responsibilities of relevant institutions.

A Suppliers Charter has been designed for Scottish contracting authorities to apply generic standards that suppliers can expect from them and in turn those that are expected from the supplier. The Charter sets out a number of commitments from contracting authorities to deliver:

- Adequate publicity of contract opportunities
- Use of a core qualification questionnaire
- Provision of tendering debriefing to any supplier that requests it.

The Charter also serves to commit business organisations to procurement best practice. This entails a commitment to recognise the legislative framework in which public sector procurement operates and to the effective use of skills and resources in bidding for competitive contracts.

Alongside this, the SPD has developed a Management Information Tool for contracting authorities which analyses spend by organisation, type of goods, services or works procured and the geographical location of suppliers. This is seen as an opportunity for contracting authorities to develop strategies for national, regional and local sourcing and to promote collaborative buying. Spend information is also available to suppliers to help them identify opportunities in public procurement.

The Scottish Public Procurement Toolkit provides a downloadable template that contracting authorities can use to develop and implement market-facing commodity
strategies. This is thought to help deliver improvements in financial, supplier relationships and contract management and provides guidance on a range of issues including commodity profiling, EC procurement rules, supplier selection, tender preparation and analysis, contract awarding and supplier management.

The Toolkit itself can be found on the SPD website: http://www.scotland.gov.uk/Topics/Government/Procurement/Resources/SPDToolkit

**Consortia Bidding for Public Sector Contracts in Scotland**

Carley (2006) has called attention to a number of reasons why public partnership in Scotland still has scope for improvement. Some of these reasons cite poor communication between businesses that eventually fall short of recognising their mutual strengths; others refer to the tendency of businesses to operate strongly within a fixed area consequently not allowing other business to enter their territory of operations, imbalanced partnerships between two business, etc. It is suggested that partnerships are unable to create an environment of mutual sharing of initiatives that can economically benefit the larger whole (Carley 2006).

It is argued (Hood et al., 2002) that many commercial enterprises seek a collaborative environment of partnership which is based on transparency and honesty which tends to encourage further innovation and improvement. However, commercial enterprises tend to believe that local councils are unwilling partners and believe to a certain extent that councils have become skilled at dissuading external competitors from entering the competitive tendering process.

One of the most identifiable characteristics of the planning framework within Scotland is a preference to engage at a local level. Many businesses within Scotland prefer to work within their local boundaries and have a smaller governance unit (Carley, 2006). This characteristic inhibits smaller businesses from working across clusters in different communities thereby increasing territorialisation and limiting business capacities.

A recent PricewaterhouseCoopers report (2008) confirms this challenge. The report recognises that the current credit crunch and economic slowdown are likely to have a major impact on the public sector and the delivery of public services at some stage and goes on to suggest that the likely solutions for public sector organisations are more likely to be organisational rather than technical. Although it recognises the importance of collaboration and public bodies working together in “organisational networks”, critically, it also argues that the key challenge for public sector contracting organisations will be “to deliver efficiencies at the scale required whilst still enabling organisations to deliver services at increasingly local levels.” (PricewaterhouseCoopers, 2008).

There have been trends seen in certain parts of Scotland from buyers that tend to prefer suppliers that deliver on a ‘just-in-time’ (JIT) basis (Waters-Fuller, 1995). Such sorts of practices tend to favour one supplier rather than many. This practice

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33 ‘Just in time’ (JIT) sourcing seeks to reduce waste through operating with reduced batch sizes that minimise cost and provide greater flexibility. Costs are reduced through holding low levels of inventory, enabling the supply chain to become more flexible and responsive. See Waters-Fuller (1995) for a broader description.
has some benefits such as procuring reduced supplies in batches, leading to low inventory levels and flexibility in the supply chain, but, it is argued, that the major downside to this practice is that it does not foster organised partnership and innovation opportunities (Waters-Fuller, 1995).

The Glover review (2008) reports extensively on the SME experience as acting as a sub-contractor in public sector procurement, presenting evidence to suggest that when SMEs operate within supply chains they often find their ‘ability to input curtailed, their margins squeezed and the flexible and innovative approaches that they can offer rarely exploited’ (Glover 2008, p.34). The extent to which these conditions exist within the Scottish context was explored within primary research undertaken with SMEs as part of this study (see Chapters 4 and 5 of this report).

It is clear that following the publication of the McClelland review (2006) and the subsequent programmes and initiatives to emerge from it, there has been considerable progress in Scotland to address the granularity of the public sector and establish consistent practice in public sector procurement.

**Collaboration Activity in Scotland**

The supplier’s charter, Public Contracts Scotland, core PQQ, the Tendering Guide and Single Point of enquiry all to aim increase access to public contracts. A key element of a selection of these programmes is to encourage effective working partnerships between organisations bidding for public sector contracts. Business support is required, provided by business support organisations such as Scottish Enterprise, Business Gateway, Enterprise Europe and the Supplier Development Programme to avoid preferential treatment of suppliers. There are services run by both private and public sector organisations, examples of these programmes include Public Contracts Scotland (providing free access to contract opportunities throughout Scotland, an alerts service and quick quotes facility) and eProcurement Scotland (offering a full eProcurement service).

2007 saw a five fold increase in take-up of the ePS system with the total value of transactions at £1.7 billion. In the first six months of 2008 there was a 31% increase in the number of orders placed via the ePS system. The first demonstration of buyer collaboration harnessed at a national level was seen in the combined purchasing power of central and local government and further and higher education organisations. They took part in an eAuction for PCs, laptops and TFT monitors, this was deemed a success, achieving an average saving of 26% on a similar auction conducted in November 2007.34

Procurex 2008 was Scotland’s first dedicated private and public sector procurement exhibition designed to enable businesses to achieve their full potential in the procurement arena. This type of event provides visitors with the opportunity to develop new commercial partnerships and maximise overall business growth. These are further evidence of an emerging set of private sector initiatives that recognise the

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34 Data taken from an ePS case study for entrance into Central e-Government Excellence Awards – see [http://www.publictechnology.net/modules.php?op=modload&name=News&file=article&sid=19226](http://www.publictechnology.net/modules.php?op=modload&name=News&file=article&sid=19226)
benefits to SMEs that can be achieved through commercial partnerships and collaboration.

There are a range of public and private sector providers offering support to access contract opportunities for suppliers seeking to supply the public sector. Some of these are free of charge, whilst others charge commercial rates for providing an adequate level of detail, some operating throughout the whole of the UK. A selection of these also provide opportunities for suppliers to network face to face as well as via technology. Internet-based systems are also growing in popularity and are designed to encourage networking amongst particular types of supplier.

Although there is clear evidence of successful main contractor–subcontractor relationships, the review has been unable to identify any significant published evidence that reports on the success of consortia amongst SMEs or SEs in terms of bidding for or delivering public sector contracts.
APPENDIX 2 – METHOD AND SAMPLE STATEMENT

Stage One

Literature review

The review of literature aimed to identify both empirical and theoretical evidence/literature pertaining to public procurement policy and collaboration amongst SMEs and SEs to bid or deliver public sector contracts. The scope of the review has covered both international and Scotland specific evidence/literature with the intention to provide a comprehensive overview of current evidence in this area.

In so doing the review has focused on accessing and summarising relevant documentation relating to the following key areas of interest:

- International Public Procurement Policy
- Public Procurement Policy and reform in Scotland
- SMEs and SEs and public procurement
- SMEs and SEs and consortia building (to bid for or deliver public sector contracts)
- Examples of successful SME and SE collaboration in bidding for/delivering public sector contracts (and specifically in Scotland)

The review has been approached in this manner to allow us to explore the wider context of public procurement policy against the specific scenario in Scotland. Having established this, we then reviewed the theoretical base surrounding SMEs and SEs and public procurement, before focusing on SME and SE consortia building and public procurement in Scotland.

Key Representative body Interviews

10 depth interviews were conducted with key representative bodies, drawn from: Scottish business support organisations; representative organisations covering both the private and the third sector; and from key procurement bodies.

The aim of these interviews was to identify their: attitudes towards collaboration; knowledge of successful collaborative bidding; awareness and provision of support for Scottish SMEs and Social Enterprises for collaboration. The topic guide used is attached at Appendix 3.

These interviews were conducted by telephone between 15th December 2008 to 23rd January 2009.

The findings of the literature review and key representative body interviews were used to develop the topic guide for use in the SME and Social Enterprise interviews.
Stage Two

SME and Social Enterprise Depth Interviews

37 Scottish SMEs and 13 Social Enterprises were interviewed in depth – 35 by telephone and 15 face to face between 15th January and 2nd March 2008

The aim of these interviews was to gather their experiences of collaborating and public sector bidding; attitudes and perceptions of collaborating; awareness of support for collaborating; and suggestions for encouraging more collaborating. The interview guide used is attached at Appendix 4.

The sample aimed to cover companies which had and had not previously collaborated. However in practice it was very difficult to find organisations that had not collaborated, due to the definition of collaboration including main and subcontracting arrangements. It was additionally split by geography, size band and sector, where possible taking account of the Categories (A, B & C) which may be purchased by the public sector. The geographical spread was primarily aimed at ensuring that some interviews were conducted with companies from the Highlands and Islands area, as this has a different business support system in place. It included 46 which had previously collaborated successfully, 17 of whom had also collaborated unsuccessfully. They were recruited by telephone using a standardised recruitment questionnaire against a minimum quota in order to achieve the desired spread of size, sector etc., but where achieving a sample of those with previous experience of collaborating was the primary requirement. The sources used included published lists of companies; the representative bodies (e.g. using their knowledge of organisations that had collaborated previously); and individuals who made contact as a result of the study promotion via key membership organisation’s and other relevant websites.

The sample was characterised as follows:

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<th>Size</th>
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<tr>
<td>Small</td>
<td>31</td>
<td>62</td>
</tr>
<tr>
<td>Medium</td>
<td>19</td>
<td>38</td>
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<table>
<thead>
<tr>
<th>Location</th>
<th>Count</th>
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</thead>
<tbody>
<tr>
<td>Highlands and Islands</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Rest of Scotland</td>
<td>40</td>
<td>80</td>
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<table>
<thead>
<tr>
<th>Type</th>
<th>Count</th>
<th>%</th>
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<tbody>
<tr>
<td>SME</td>
<td>36</td>
<td>72</td>
</tr>
<tr>
<td>Social Enterprise</td>
<td>14</td>
<td>28</td>
</tr>
<tr>
<td>Sector</td>
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<td>-----------------------------------------------------------------------</td>
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</tr>
<tr>
<td>Utility</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Manufacturing (including chemicals, electronics, pharmaceuticals, food &amp; drink processing)</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Retail &amp; wholesale (including office equipment, IT hardware suppliers, food &amp; drink suppliers)</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Construction</td>
<td>3</td>
<td>6</td>
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<tr>
<td>Transport, storage &amp; communication</td>
<td>6</td>
<td>12</td>
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<tr>
<td>Financial services</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Business/ Professional services</td>
<td>20</td>
<td>40</td>
</tr>
<tr>
<td>Health &amp; social work</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>Other community, social &amp; personal services</td>
<td>3</td>
<td>6</td>
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<thead>
<tr>
<th>Collaboration Experience</th>
<th>Count</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>Previous experience</td>
<td>46</td>
<td>92</td>
</tr>
<tr>
<td>No previous experience</td>
<td>4</td>
<td>8</td>
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</table>

The SMEs and SEs willing to be listed are identified in Appendix 5

**Analysis and Interim Reporting**

All interviews were recorded and thematically analysed in order to identify emerging trends, from which a set of conclusions were drawn. The results and conclusions were discussed with Scottish Government at this stage in order to determine the best approach for the workshops.

**Workshops with SMEs and Social Enterprises**

Two workshops were held on 4th and 5th March 2009 – one for Social Enterprises and one for SMEs. In total, 12 SMEs and 12 Social Enterprises attended. They were recruited by telephone using the same sources as identified in 9.9 above; and were held in Glasgow and Edinburgh to ensure relatively easy access. The workshops each included a majority of those who had not previously participated in the interviews.

The aim of the workshops was to share the findings and discuss potential strategies for encouraging greater collaboration between SMEs and/or Social Enterprises.

**Analysis and Final Reporting**

All preceding findings were assimilated and conclusions refined. A set of recommendations was developed and discussed with Scottish Government in April 2009.
Limitations of the research

This research is essentially qualitative in nature and whilst it has achieved a sample encompassing different types, sizes and sectors, it is not possible to state that the results are either representative of all SMEs and Social Enterprises in Scotland, or to identify significant differences between different sub groups (eg small businesses vs medium sized businesses) with confidence. Additionally, as we sought particularly to include SMEs and SEs that had previous experience of collaboration, the results may primarily reflect the opinions of those who are effectively more advanced with regard to collaboration than SMEs and SEs in general. Instead the results provide a solid basis from which to develop an overarching strategy to encourage SMEs and Social Enterprises to collaborate to bid for, and deliver, public sector contracts.
APPENDIX 3 – REPRESENTATIVE BODY TOPIC GUIDE

Representative body details:
Organisation Name
Contact Name
Contact Role
Contact details

Introduction

*Introduce self, Wood Holmes and the project*:
Either: We have been commissioned by the Scottish Government to undertake research and assist in developing a strategy to address impediments to SMEs and Social Enterprises forming consortia in order to bid for public sector contracts in Scotland.
Or: We are conducting a study which is exploring how SMEs and Social Enterprises can and do work together in bidding for Public sector contracts in Scotland and how this can be encouraged.

I have been given your name by …… / or explain why we think they are important to the study. Ask for their help in undertaking an interview, lasting up to (30 mins tel / 1 hr face to face) to discuss the key issues and how they might help us to communicate with SMEs. Book interview.

Context

1. How would you describe your organisation's key purpose in relation to Scottish SMEs/Social Enterprises? What does it do for them? *(Prompt for their organisation’s role in relation to assisting companies to identify and bid for contracts)*

2. How important would you think that public sector contracts are to Scottish SMEs/Social Enterprises? Why do you think that? How would your describe Scottish SMEs'/SEs’ attitudes towards bidding for public sector contracts? Why?

3. What is going on in Scotland that you think could effect public procurement? What would you regard as the impact of Procurement reform/McClelland report etc on SMEs’ & SEs’ activity/willingness to bid for public sector contracts in the future?

Collaboration

4. When I say ‘collaborate’, what do you think that means to SMEs/SEs?

5. *Confirm the project description of ‘collaboration’ as at least 2 organisations working together either in a main contractor/subcontractor relationship, or as a consortium.* What do you think are the key stages SMEs/SE’s go through when they are collaborating?

6. Are you aware of any collaborations between SMEs/SEs to win and deliver work (public or private sector)? Do you know if they were successful or not? What happened in practice?/How well did they work together? What was the nature of the service delivered? *(Try to get names of companies for later contact)*
7. In your experience, how aware do you think SMEs/ Social Enterprises are that they are allowed to collaborate to win and deliver contracts? How willing or unwilling do you think SMEs/ Social Enterprises (SEs) are to work together collaboratively in order to win and deliver contracts to the public and/or private sector? Why do you think that? Do you think it will change over time? Why? Do you see any difference in SMEs/SEs willingness to work as main and subcontractors and working as a consortium?

8. What do you think are the main barriers to SMEs/ SEs collaborating? (refer to list ex literature review & prioritise if appropriate. Prompt whether they think the barriers are real or perceived)

9. What do you think makes for successful collaboration amongst SMEs/SEs?

10. What do you think would encourage more SMEs/ SEs to collaborate to bid for public sector contracts? / How can we overcome the barriers listed at point 7?

Support
For public sector bodies, state: Whilst we appreciate that all public sector tendering has to be open, transparent, proportionate and fair,

11. What does your organisation do, if anything, to encourage SMEs/ SEs to bid for public sector contracts? What do other organisations do to encourage them to bid?

12. What does your organisation do, if anything, to help SMEs/ SEs when they are in the process of bidding for public sector contracts? What do other organisations do, that you are aware of? What one scheme do you think effectively supports SMEs and/or SEs to work together to bid and deliver contracts? Do you think the SMEs/ SEs are aware of the available support?

13. What other support do you think your organisation should offer SMEs/ SEs to encourage them, and help them, to bid collaboratively? How difficult would it be for your organisation to offer such support? Which other organisations do you think are best placed to offer additional support to encourage SMEs/ SEs to bid collaboratively & what do you think they could offer?

14. If that support was available, what impact do you think it would have on (a) increasing the number of collaborative bids and (b) the quality and (c) success rates of collaborative bids?

15. Is there anything specific happening is Scotland (or even more locally) that is hindering / alleviating these issues facing SMEs / SEs?

16. Can e-procurement assist in driving collaboration between SMEs / SEs? (if so how?) Depending on their answer, ask Do you think that SMEs/ SEs are (a) happy to use electronic communication and e-tendering sites and (b) competent to use them?
APPENDIX 4 – SME/SE INTERVIEW GUIDE

Respondent Name...........................................................................................................
Organisation........................................................................................................................................Type SE/SME
Address........................................................................................................................................................
...............................................................................................................................................................Post Code..........................................................................................................................................................
Telephone number...........................................................................................................................................
Mobile telephone (if applicable)..................................................................................................................

Good morning/afternoon. My name is ________________, from Wood Holmes Group, an independent strategy consultancy. You agreed that you would talk to us about your attitudes and experiences of collaborating in order to bid for larger contracts. (Check their available time and remind about confidentiality, especially that none of their comments will be revealed to funders or the public domain.)

ATTACH THEIR RECRUITMENT QUESTIONNAIRE. CHECK IT IS COMPLETE & IF NOT, ASK FOR THE OUTSTANDING DETAILS.

Context
Q1 Just so I understand the context for your answers, how would you briefly describe what your organisation does?
To Q2
Q2 What would you define as ‘the public sector’?
To Q3
Q3 Does, or has, your organisation bid for contracts with the public sector?

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<td>No</td>
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<td>To Q4</td>
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To Q4
Q4 Why not? PROBE.
Go to Q5
Q5 What would encourage you to go for public sector contracts?
Go to Q11a
Q6 Has your organisation won any contracts with public sector clients?

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<td>To Q9</td>
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Q7 How many contracts has your organisation won from public sector clients over the last year? Roughly, how much would you say that their total value was last year?

Q8 How important are public sector contracts to your business - roughly how much of your organisation’s turnover comes from your public sector clients? / If necessary ask: Roughly, what is your organisation’s total annual turnover?
Public Sector Experience – bidding/ tendering

I’d like you to think about one of the contracts you have tendered for from the public sector, whether or not you won it.

Q9 First of all, how did you find out about the opportunity? How does your organisation generally find out about opportunities to bid? What do you scan?

To Q10

Q10 How do you decide which tenders to go for? Is it the same for public and for private sector jobs? If not, why not? Check their management structure? (e.g. is there a Board of Directors, is it hierarchical, flat, matrix, tall structure etc??) When you are unsuccessful, do you ask for feedback from the potential client? And do you always get it?

To Q11a

Collaborating

Q11a When I say ‘collaborate’ with other organisations, what do you immediately think of? How would you define ‘collaborate’?

To Q11b

Q11bIs forming a consortium the same as collaborating? If not, what’s the difference?

To Q11c

Q11c Do you regard working as a main contractor or a subcontractor to another organisation as working collaboratively or not? Probe Why do you think that?

To Q12

Confirm the project description of ‘collaboration’ as at least 2 organisations working together either in a main contractor/ subcontractor relationship, or as a consortium.

Q12 Does your organisation work together collaboratively with other companies to bid for or to deliver contracts with either private or public sector clients, or has it in the past?

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To Q13

For those who don’t collaborate:

Q13 Why not? What do you regard as the main barriers to working together? What processes do you think you would need to go through to set up and work collaboratively with other companies to win & deliver contracts?

To Q14

Q14 Are you aware of any companies working together to win & deliver contracts successfully? Probe for details. Does this encourage you to think about collaborating more with other firms? Why/not?
Q15 What would encourage you to work together with other companies to win & deliver contracts? Probe.

**For those who have collaborated:**
Q16 And was that for contracts in the private or the public sector or both? 

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<th>Private sector only</th>
<th>Public sector only</th>
<th>Both</th>
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**For those only serving the public or the private sectors:**
I’d like you to think about one of the contracts you have won and/ or delivered together with other companies. This could be your first win, your largest win, a strategically important win, or a recent win, in the (private or public) sector.

**For those who have collaborated to win projects in both the public and private sectors:**
I’d like you to think about one private and one public sector contract you’ve gone for with other companies, and tell me about any differences in the way in which you approached the different bids. These could be your first win, your largest win, a strategically important win, or a recent win, in either sector.

Q17 Why did you decide to collaborate? What do you regard as the main barriers to working together? What processes do you think you would need to go through to set up and work together, collaboratively with other companies to win & deliver contracts? (For private & public sector collaborators, ask) How does it differ between private & public sector contracts?

To Q18

Q18 How did you decide who you would collaborate with? Prompt – How easy was it to choose others? Importance of past relationships, past collaborations, being even handed etc. (For private & public sector collaborators, ask) How does it differ between private & public sector contracts?

To Q19

Q19 What processes did you go through to set up and work collaboratively with other companies to win & deliver contracts? Probe for key stages. Was that what you expected it to be like? If not, how was it different & does that make you more or less likely to consider collaborating in future? (For private & public sector collaborators, ask) How does it differ between private & public sector contracts?

To Q20

Q20 When you collaborated, what worked well? And what didn’t?

To Q21

**Support**

Q21 What business support did you get, if any, to help you work together with other organisations to win and deliver work? Probe informal & formal support. (For private & public sector collaborators, ask) Were there any differences between private & public sector contracts?

To Q22

Q22 Are you aware of what business support is available now to help organisations who want to work together with others to win and deliver work? Probe informal & formal support & whether it is specifically to help in bidding for public sector work.

To Q23
Q23 What business support would your organisation want to encourage it to work together with others to win and deliver work from the public sector? Probe informal & formal support. Do you think that would be the same regardless whether it’s for public or private sector contracts or not? Why?

To Q24

Q24 Who would you want to get that support from? And how would you want to access it? Probe e-based support.

To Q25

Q25 Would you expect to pay for such support? Why/not? (If willing to pay) How should it be structured? What proportion of the total cost of the support would you expect to pay? Would you expect the same or a different approach when seeking support for public and for private sector contracts?

To Q26

Q26 How would you decide if the support was helpful/ effective/ worth seeking/ worth paying for? Probe for expected impact on the number/ quality/ success of collaborative bids/ delivery.
APPENDIX 5 – SMES AND SES WHO PARTICIPATED

(NB This only lists those willing to be identified)

Social Enterprises

Access Ability  SE
Active Stirling Ltd  SE
Ayrshire Initiatives  SE
Forward Scotland  SE
Health in Mind  SE
Lanarkshire Mental Health Assoc.  SE
Margaret Blackwood Housing Association  SE
Remploy Ltd.  SE
Shelter Scotland  SE
Stirling Mental Health Association  SE
The Highland Whole Food Workers Co-operative  SE
The Scottish Society for Autism  SE
Voluntary Action Lochaber  SE

Small & Medium Sized Businesses

147 Enterprises  SME
Adrel  SME
Audi Centre  SME
Benchmark Management Ltd  SME
Benchmark Media  SME
Business Base  SME
Castle Computer Services Ltd  SME
Central Security and Control Ltd.  SME
CJM Financial Management Ltd  SME
Clyde Valley Stairs Ltd.  SME
Danwood Scotland  SME
Edlinton  SME
Electronics Scotland  SME
Events Consultants Scotland  SME
Express Bakery  SME
First Scottish Group Ltd.  SME
Galson Stornoway Motorway Services Ltd.  SME
Gas & Utility Technology  SME
GM Communications & airtime  SME
Intend consultancy  SME
JMW Group  SME
Neon Media Ltd.  SME
Nuclear decommissioning services ltd  SME
Rocela Ltd  SME
Sensa Scotland  SME
Spirit Media  SME
Stanna Stairs Ltd.  SME
Valuta Ltd.  SME
W Rielly & Sons  SME
WBS Ltd.  SME