

SMALL FIRMS AND PUBLIC PROCUREMENT

David Smallbone

Professor of Small Business and Entrepreneurship

Small Business Research Centre

Kingston University, UK

<http://business.kingston.ac.uk/sbrc>

THE RESEARCH BASE FOR THE **PRESENTATION**

- Current study of access to public procurement contracts by small firms in London, East of England and West Midlands (EU Equal programme), focusing on interviews with procurement officers + SMEs
- Review for the Institute for Public Policy Research (IPPR) on access to public procurement by ethnic minority firms (2003), which involved looking closely at the experience in the USA
- Study for the Small Business Service on supplier diversity initiatives (2002), focusing on small firms

WHY THE INTEREST?

- An important potential market opportunity for small firms
- The size of the public procurement budget means that a small increase in the % of contracts going to small firms can make a significant difference
- Public sector procurement opportunities exist at the local & regional as well as national levels, involving a range of public sector organisations
- Public procurement is a potentially powerful tool for stimulating economic development in deprived communities and areas to contribute to increased social inclusion
- Our current research shows that supply opportunities for small firms are increasing, as a result of local food and environmental campaigns
- Opportunities can exist throughout a supply chain and not simply as first tier contractors

BARRIERS REPORTED BY SMALL FIRMS

- The bureaucracy of the procurement process for firms with very limited management resources e.g. pre-qualification procedures, which is an 'up front' cost with no guarantee of a return
- Lack of information, particularly for smaller contracts below EC limit
- Contract bundling, which tends to favour larger organisations
- Turnover-related constraints, where purchaser is unwilling to award contracts that will represent too high a % of the suppliers annual sales

SUPPLY SIDE ISSUES AND REPORTED CONSTRAINTS

- For many purchasers, the key issue is the shortage of small firms that are “qualified, willing and able to meet contractual requirements”
- Many microenterprises and small firms rely on informal approaches to management, which is reflected in a lack of documentation, which can affect their eligibility for inclusion in accredited lists of suppliers
- Competition Policy rules (which are based on principles of non-discrimination, equality of opportunity, transparency and competition) limit the scope for any discrimination in favour of small firms
- National legislation; for example, requiring public purchasing officers to achieve ‘best value’
- Current research shows that at a local level, many procurement officers understand the need to work more with small firms but are uncertain how to achieve it

IMPROVING ACCESS OF SMALL FIRMS TO PUBLIC PROCUREMENT

Public Procurement Officers

- can simplify procurement documentation
- Can improve the supply of information to small firms (e.g. www.supply2.gov.uk), as well as conventional media
- have scope to downsize contracts, by repackaging them;
- can include inclusion issues as part of their interpretation of 'best value';
- can collect and publish firm size data to facilitate transparent monitoring & improve the evidence base
- can work with business support intermediaries to increase the capacity of small firms to supply
- have training needs to enable them to undertake procurement with confidence

SUPPLIER DIVERSITY INITIATIVES

‘Good practice’ supplier diversity programmes involve co-operation between:

- Public purchasing officers
- Business support intermediaries:
 - as brokers e.g. through ‘meet the buyer’ events
 - as capacity builders e.g. through quality assurance programmes
 - as promoters of co-operation between small firms
- Small firms involved in activities that purchasing partners have a need to be supplied with