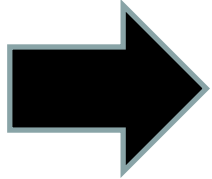


Supplying to the UK Public Sector - G-Cloud Digital Marketplace

CHARTERED MANAGEMENT INSTITUTE

Stephen Allott, sometime Crown Representative for Small and Medium Enterprises
14 November 2017

Government Policy is to Get Full Value from SMEs –
buying from an SME every time they are best Value for Money



**THE SME POLICY WAS LAUNCHED ON 11
FEBRUARY 2011**

G-CLOUD IS THE STAND OUT SUCCESS

WIN BUSINESS BY HELPING NOT “SELLING”

@SMECrownRep – Feb 2011 to June 2015

TWEETS 780 FOLLOWING 224 FOLLOWERS 1,722 FAVORITES 210

Stephen Allott retweeted

cloud-channel.tv @cloudchantv · May 8

.@SMECrownRep SME Crown Representative @cabinetofficeuk "#SMEs in #GCloud are getting enquiries from abroad" ow.ly/KHJp0

WISTIA



2 2

Stephen Allott retweeted

mark thompson @markthompson1 · May 7

@SMECrownRep Stephen - please see Stephen Kelly SME growth: [news.sky.com/video/1478748/...](http://news.sky.com/video/1478748/)

1 1

[View summary](#)

Stephen Allott @SMECrownRep · May 8

Visited Triumph Motorcycles today in Nuneaton. Already have a full licence. Fancy a Bonny

The Prime Minister's speech 11 Feb 2011

“Today, we are announcing big changes to the way government does business.”

“No one should doubt how **important** this is.”

“It’s important for getting to grips with our deficit – as it will help us tackle waste **and control public spending.**”

“...the system doesn’t encourage **small and medium-sized businesses**, charities and social enterprises to compete for contracts...”

...the very firms who can provide the competitive pressure to **drive down costs.**”

“.... wherever **possible**, we’re going to **break up large contracts into smaller elements, so that SMEs can make a bid** and get involved”

<https://www.gov.uk/government/speeches/pms-speech-at-the-strategic-supplier-summit>



The next 5 years for SME – 33% of central Govt spend

We will cut red tape, boost start-ups and small businesses

This Government was the first in post-war history to reduce the burden of regulation. We will cut a further £10 billion of red tape over the next Parliament through our Red Tape Challenge and our One-In-Two-Out rule. This will support our aim to make Britain the best place in Europe, and one of the top five worldwide, to do business by 2020. We will also treble our successful Start Up Loans programme during the next Parliament so that 75,000 entrepreneurs get the chance to borrow money to set up their own business. We will raise the target for SMEs' share of central government procurement to one-third, strengthen the Prompt Payment Code and ensure that all major government suppliers sign up. We have already helped small businesses by increasing the Annual Investment Allowance, reducing the burden of employment law through our successful tribunal reforms and supporting 27,000 new business mentors. We will go further by establishing a new Small Business Conciliation service to mediate in disputes, especially over late payment.



THE CONSERVATIVE PARTY MANIFESTO 2015

**STRONG LEADERSHIP
A CLEAR ECONOMIC PLAN
A BRIGHTER, MORE SECURE FUTURE**

 Conservatives

What does the Government say?

On SME procurement policy generally

<https://www.gov.uk/guidance/doing-business-with-government-a-guide-for-smes#history>

On e-sourcing: compulsory to be able to do any business

<https://www.gov.uk/government/publications/esourcing-tool-guidance-for-suppliers>

What is a SME?

	Staff	Turnover, €m
Micro	<10	<2
Small	10 to 49	2 to 10
Medium	50 to 249	<50

SMEs must be “autonomous”. There is a complicated definition of autonomy but it means not owned nor controlled by another enterprise

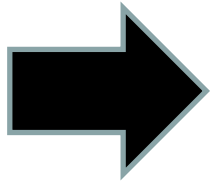
What do public procurers see as SME strengths?

1. More flexible
2. Quicker to react
3. Offer better prices than larger suppliers

Source: Evaluation of SMEs' access to public procurement

Government Policy is to Get Full Value from SMEs –
buying from an SME every time they are best Value for Money

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G-CLOUD IS THE STAND OUT SUCCESS

WIN BUSINESS BY HELPING NOT “SELLING”

G Cloud solves a valuable problem elegantly

GOV.UK Digital Marketplace
Home Log In Create account

BETA This is a beta service - please send your feedback to enquiries@digitalmarketplace.service.gov.uk

Digital Marketplace

A simpler way to buy and sell digital services in the public sector

The Digital Marketplace can help you find and compare cloud services for your next technology project. Once you've compiled a list of requirements, you can tailor your search to find the right fit for your organisation. Read the [buyers' guide](#) or the [suppliers' guide](#) if you'd like to know more.

Find services using your requirements

Add keywords, eg 'email' or 'accounting'

Browse cloud services

Infrastructure as a Service

Infrastructure is the hardware that makes software work. It's the networks, hosting facilities and servers on which platforms and software depend. Infrastructure as a Service (IaaS) is infrastructure you can order and run entirely over the internet, without having to pay for your own hardware.

[Compute](#), [Content Delivery Network \(CDN\)](#), [Other](#), [Storage](#)

Platform as a Service

Platform as a Service (PaaS) technologies are software platforms that provide a basis for building other services and applications. With PaaS, you can set up, order, pay for and manage platforms in the cloud.

[Application Deployment](#), [Components](#)

Software as a Service

Software as a Service (SaaS) is an application or service that can be run over the internet or in the cloud. Examples of SaaS include web-based email services, customer relationship management (CRM) software and analytics tools.

[Accessibility](#), [Agile Tools](#), [Analytics](#), [Antispam](#) / [CAPTCHA](#), [Asset Management](#), [more...](#)

Specialist Cloud Services

Specialist Cloud Services (SCS) support your transition to SaaS, PaaS and IaaS. Examples of SCS include cloud strategy, data transfer between providers or day-to-day support of cloud-based services.

[Information Management and Digital Continuity](#), [Service Integration and Management Services \(SIAM\)](#), [Specialist Cloud Services](#)

G Cloud offers buyers:

1. Fast, simple, easy
2. Compliant by Default
3. Best VFM suppliers of
4. Digital Government components

a week or two rather than 6 months

which happens in background

radically opening up to new suppliers who have an easy journey

so you have all you need to build digital services

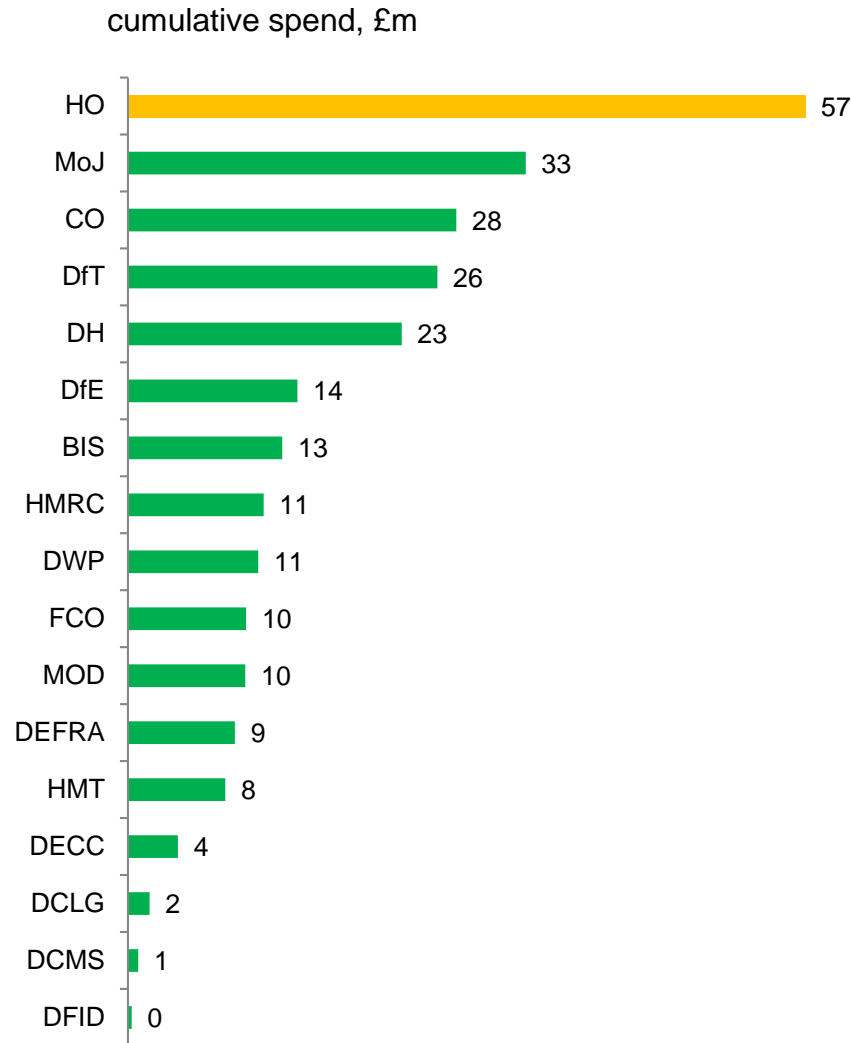
Lets look at the G-Cloud

<https://www.digitalmarketplace.service.gov.uk/>

<http://www.govspend.org.uk/g-cloud.php>

[https://www.gov.uk/government/organisations/
crown-commercial-service](https://www.gov.uk/government/organisations/crown-commercial-service)

Home Office started it off in March 2012



Home Office and GDS have built their ideal procurement tool.... (like SBRI)

It works so well that in fact it's a model for others ...

And they have used their Digital by Default skills to make it great

So other people want to use it.

See what DVLA said:

<https://www.youtube.com/watch?v=s0Kh9fx3Rml&feature=youtu.be>

G Cloud is a world leader – builds on Digital by Default

“**Red Tape Buster**”: reduces procurement time from 227 days (2010) to a typical 2 to 4 weeks (and fastest in 3 minutes). Delivers procurement reform (faster, simpler access to best VFM)

Increases Government spend with SMEs directly and substantially. 48% of G Cloud spend goes directly to SMEs creating jobs. 90% of SMEs benefitting are UK based. SMEs have created 60% of jobs since 2010.

Saves money for the taxpayer: G Cloud saves 50% of spend on average.

Elegant use of EU regulations: Systems Up CEO : “G Cloud is transformational”

Helps economic **growth and exports** of technology

Is a British first: world leading design visible to citizens. “ **G Cloud is the model for Governments around the world**” Vivek Kundra, US CIO. Other Govts. copying.

Uses **transparency**, competition and **digital** to deliver results

G-Cloud is a commercial **revolution**

Award to all qualifying suppliers

No pre-qualification stage used for G-Cloud

Radically opens the market to SMEs

Suppliers are in control of their catalogue entries at all times

Rollover option for next procurement meaning no new documentation unless services change

Simple yes / no answers and simpler framework T&C's

Regular refresh of procurements every 6-9 months (G-Cloud & Digital Services)

Call offs on supplier's standard terms

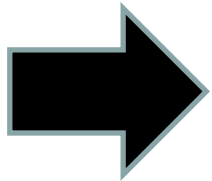
Price and transaction transparency – one way ratchet



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WIN BUSINESS BY HELPING NOT "SELLING"

Guidance

Doing business with government: guide for SMEs

<https://www.gov.uk/guidance/doing-business-with-government-a-guide-for-smes>


From: Cabinet Office, Crown Commercial Service and Efficiency and Reform Group
 First published: 18 February 2013
 Last updated: 25 February 2015, [see all updates](#)
 Part of: [Compliance with European Union laws and regulation](#), [Business and enterprise](#) and [Government efficiency, transparency and accountability](#)

This page provides support for small and medium sized enterprises (SMEs) on bidding for government contracts.

Contents

[Tips for SMEs bidding for government contracts](#)

[Mystery Shopper service](#)

See more like this 

The government wants to buy from small and medium sized enterprises (SMEs) every time they are the best value for money. We have changed the way we buy goods and services to help more SMEs to bid for our contracts.

Too much detail?
 See these quick guides
[Tendering for public sector contracts](#)

The government has made changes to help SMEs bid for public sector contracts. These include:

- requiring the entire public sector supply chain to be paid within 30 days
- buying in a simpler and quicker way eg abolishing pre-qualification questionnaires for low value public sector contracts
- requiring the public sector to publish its contracts on [Contracts Finder](#)

Find out [more about the government's procurement reforms](#) and see [Lord Young's report on small firms 2010 to 2015](#).

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Find out [more about the government's procurement reforms](#) and see [Lord Young's report on small firms 2010 to 2015](#).

Read more about [government buying from SMEs](#).

Contact the Crown Commercial Service (CCS) for any specific questions on doing business with government. Telephone the servicedesk on 0345 010 3503 or email supplier@ccs.qsi.gov.uk.

Tips for SMEs bidding for government contracts

Stephen Allott, Crown Representative for SMEs, gives his top tips on bidding for public sector business:

Build below the threshold

The quickest way to build up a government customer base is to start with low value procurements. To start with, aim for opportunities under £100,000 where government has abolished Pre-Qualification Questionnaires (PQQs). Building up your base this way is a great foundation for competing for bigger sales in the future.

How to win Central Government business

STEP	GENERAL	G-CLOUD	OJEU	FRAMEWORK
Get in the conversation	<ul style="list-style-type: none"> Inform prospects Don't "sell" Use seminars Drive referrals from base Look at Govspend pipelines 	<ul style="list-style-type: none"> Research current buyers using Govspend Research competitors' offerings on the Digital Marketplace 	<ul style="list-style-type: none"> Monitor Contracts Finder 	<ul style="list-style-type: none"> Monitor Contracts Finder Get on the frameworks
Engage and shape the specifications	<ul style="list-style-type: none"> Pre-market engagement is now clear policy and best practice Give references 	<ul style="list-style-type: none"> Respond to inquiries 	<ul style="list-style-type: none"> Respond to PINS Engage pre-market 	<ul style="list-style-type: none"> Engage pre-market
Bid and win	<ul style="list-style-type: none"> Get expert help Answer the question Give an example Give proof Use Mystery Shopper 	<ul style="list-style-type: none"> Documents Interviews 	<ul style="list-style-type: none"> Use clarifying questions Do great bids 	<ul style="list-style-type: none"> Use clarifying questions Do great bids
Deliver a great result and service	<ul style="list-style-type: none"> Good work wins more work First timers take extra care 	<ul style="list-style-type: none"> Wins are public 	<ul style="list-style-type: none"> Wins are public 	

Pre-market engagement is expressly permitted

Preliminary market consultations

40.—(1) Before [commencing] a procurement procedure, contracting authorities may conduct market consultations with a view to preparing the procurement and informing economic operators of their procurement plans and requirements.

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The Prime Minister's speech 11 Feb 2011 – “right sizing”

“Today, we are announcing big changes to the way government does business.”

“No one should doubt how **important** this is.”

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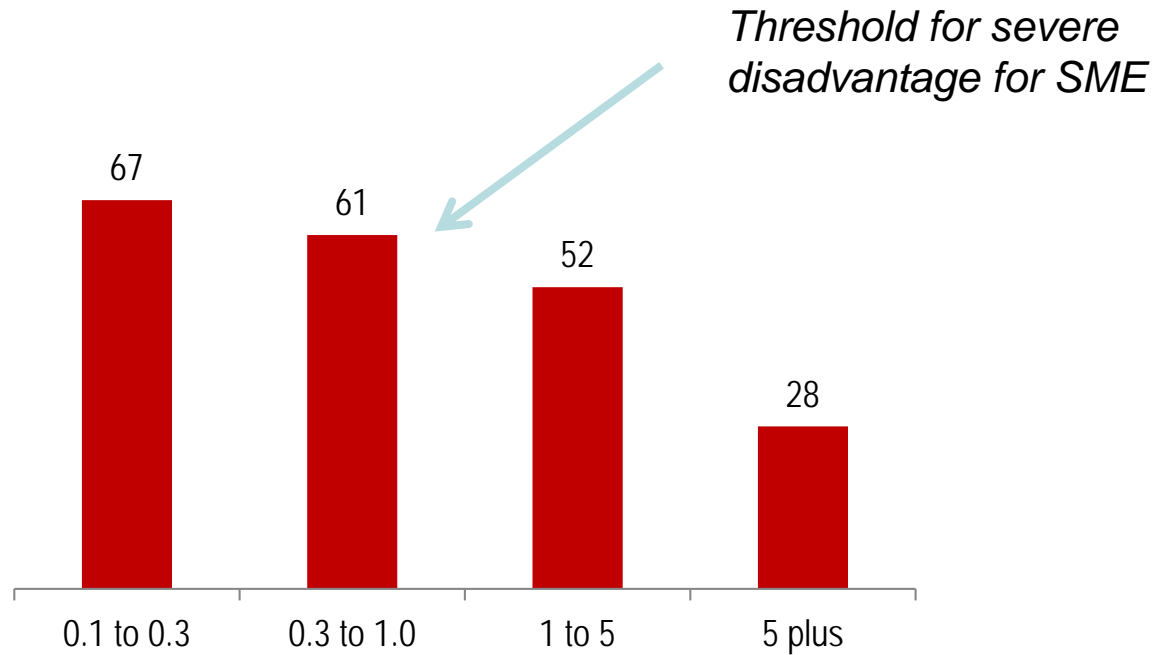
“.... wherever **possible**, we’re going to **break up large contracts into smaller elements, so that SMEs can make a bid** and get involved”

<https://www.gov.uk/government/speeches/pms-speech-at-the-strategic-supplier-summit>



Contract value correlates closely to SME share

€m, % by value won by SME, 2008



Source: Evaluation of SMEs' access to public procurement

Contract size is the key variable for SME access

Division of contracts into lots

46.—(1) Contracting authorities may decide to award a contract in the form of separate lots and may determine the size and subject-matter of such lots.

(2) Contracting authorities shall provide an indication of the main reasons for their decision not to subdivide into lots, which shall be included in the procurement documents or the report referred to in regulation 84(1).

(3) Contracting authorities shall indicate, in the contract notice or in the invitation to confirm interest, whether tenders may be submitted for one, for several or for all of the lots.

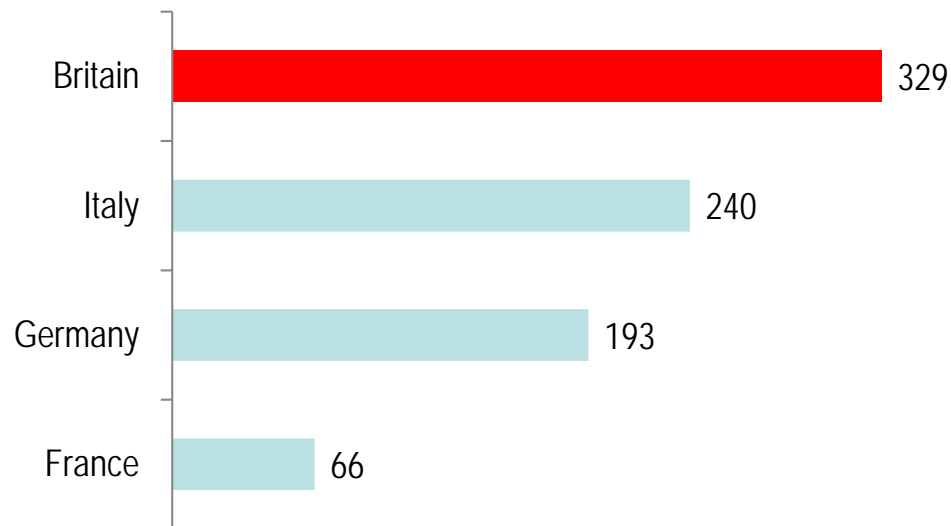
(4) Contracting authorities may, even where tenders may be submitted for several or all lots, limit the number of lots that may be awarded to one tenderer, provided that the maximum number of lots per tenderer is stated in the contract notice or in the invitation to confirm interest.

(5) Contracting authorities shall indicate in the procurement documents the objective and non-discriminatory criteria or rules they intend to apply for determining which lots will be awarded where the application of the award criteria would result in one tenderer being awarded more lots than the maximum number.

(6) Where more than one lot may be awarded to the same tenderer, contracting authorities may award contracts combining several or all lots where they have specified in the contract notice or in the invitation to confirm interest that they reserve the possibility of doing so and indicate the lots or groups of lots that may be combined.

Britain has large contract values relative to Europe

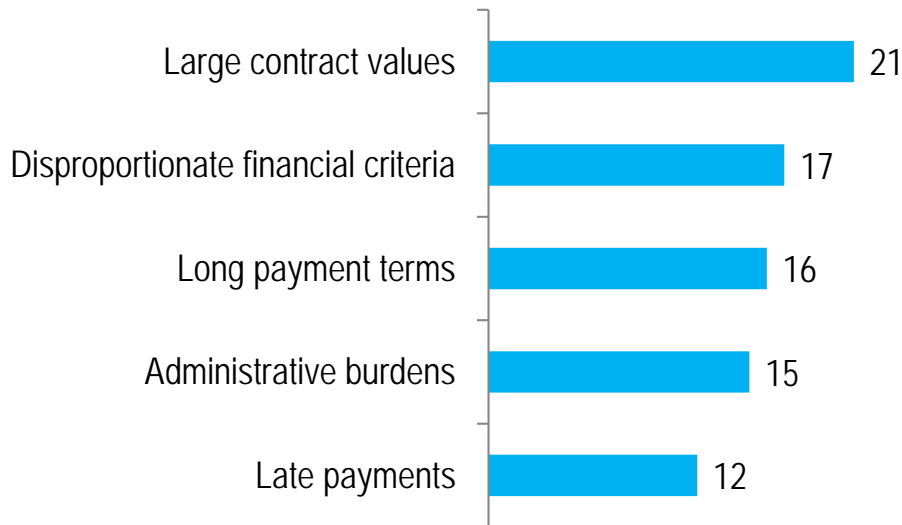
€k, average contract value, 2008



Britain's large contract values correlate to the low SME percentage

What do the SMEs say themselves about their problems?

Difference in problem assessment between micro and large suppliers, %



Large contract values are the biggest difference in factors between large and micro enterprises

The key findings and the answer to our question today

“The large size of contracts is widely seen as the most important barrier to SMEs accessing public procurement”

“Breaking down tenders into lots is commonly seen by stakeholders as one of the most important tools that help SMEs access public tenders”

“The results [of the regression analysis] confirm that the higher the contract value, the lesser the likelihood that an SME will win that contract”

Source: Evaluation of SMEs' access to public procurement

The PM said dis-aggregate but CCS decided to aggregate ...

Press release

New Whitehall central buying service to save more for taxpayers

From: Cabinet Office, Crown Commercial Service, The Rt Hon Francis Maude and Efficiency and Reform Group
First published: 24 July 2013
Part of: Government buying and Government efficiency, transparency and accountability

The new integrated commercial service will be established in autumn 2013, building on the evolution of [Government Procurement Service](#) over the last few years. It will deliver savings by ensuring that government acts as a true single customer. Specifically, the Crown Commercial Service will:

- centrally manage the purchase of common goods and services such as professional services and energy
- introduce a new Complex Transactions Team to work with departments on complex procurements, reducing the need for external advice
- enable departments to focus their commercial efforts on their own strategic requirements
- further strengthen the commercial leadership within government
- further strengthen the procurement profession and improve overall commercial ability across the Civil Service
- continue to work closely with the wider public sector to ensure that the benefits of aggregation and centralisation are shared across the public sector to maximise savings for the taxpayer

Is the Crown using the right theory in procurement?

In 1983 Peter Kraljic published his seminal *Harvard Business Review* article suggesting a model for procurement, based implicitly on Toyota practices and aggregation

You can change the specification when buying tooling but not when buying fixed specification production parts. New tooling can enable major business benefits.

Many commentators (e.g. Prof. Andrew Cox, Conor Kehoe, Stephen Allott, Peter Smith) question whether Kraljic and aggregation should not be used for buying tooling but limited to fixed spec production parts procurement

Professor Andrew Cox



Currently Vice-President of the *International Institute for Advanced Purchasing & Supply* (acox@iiaps.org/www.iiaps.org).

Until 2008 he was CIPS Foundation Professor at the *University of Birmingham Business School*, where he established the first ever MBA in Strategic Procurement Management. He is also Visiting Professor at the *University of San Diego* and the *Nyenrode Business School*.

He has published numerous books on strategy and procurement:

Business Success; Advanced Supply Management; Outsourcing; Power Regimes; Supply Chains, Markets and Power; Supply Chain Management; Business Relationships for Competitive Advantage; Win-Win?; The Right Tools for the Job; Sourcing Portfolio Analysis; and, *Value Flow Management* (forthcoming).

He is also Chairman of *IIAPS Services* a specialist purchasing and supply chain management consultancy, and has worked with many public and private sector organisations around the world..

@SMECrownRep

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WISTIA



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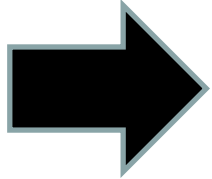
Stephen Allott retweeted
mark thompson @markthompson1 · May 7
@SMECrownRep Stephen - please see Stephen Kelly SME growth: [news.sky.com/video/1478748/...](http://news.sky.com/video/1478748/)

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[View summary](#)

Stephen Allott @SMECrownRep · May 8
Visited Triumph Motorcycles today in Nuneaton. Already have a full licence. Fancy a Bonny

Is the Crown using the right theory in procurement?



The conventional wisdom, aggregating by default, in procurement is showing signs of strain

Buying tooling? The right new stuff can be a bigger lever than buying the old stuff cheap

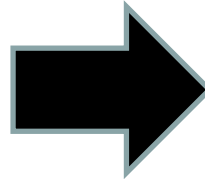
Should Kraljic* be limited to fixed spec production parts procurement?

* Peter Kraljic was head of the McKinsey Paris office in the 1990s and wrote article in 1983 (HBR) to create *Purchasing Portfolio Analysis*

Is the Crown overusing using aggregation ?

USE OF LEVERAGE

- Low Complexity / Many Suppliers
- Fixed Spec/ Abundant Items
- Aggregation & Cost Leverage Bidding



Should Kraljic's thinking be limited to fixed spec production parts procurement?

The new EU Directive requires “sub-lot or explain”

Division of contracts into lots

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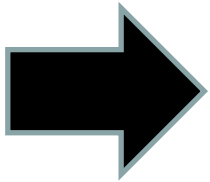
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Is the Crown using the right theory in procurement?

The conventional wisdom in procurement is showing signs of strain



Buying tools? The right new stuff is a bigger lever than buying the old stuff cheap

Should Kraljic* be limited to fixed spec production parts procurement?

In 2011, talking to Blackberry and Nokia

Buy the Right Thing: the latest tools e.g. a smartphone

Yes		
No		Bulk 4 year deal in 2011 on Blackberrys

Buy the Thing Right: getting a discount

No

Yes

But would have missed a paradigm shift in personal productivity

Right thing: the latest tools e.g. a smartphone

The right thing gives you

- Macbook Air
- i-phone
- Google apps

Instead of Flex

- Windows XP
- 10 minute boot
- Blackberry
- No collaborative apps
- No Google hangout

i-phones at full price	Best price on i-phones or Androids
Blackberrys at full price	Bulk 4 year deal in 2011 on Blackberrys

Thing right: getting a discount

But would have missed a paradigm shift in personal productivity

Right thing: the latest tools e.g. a smartphone

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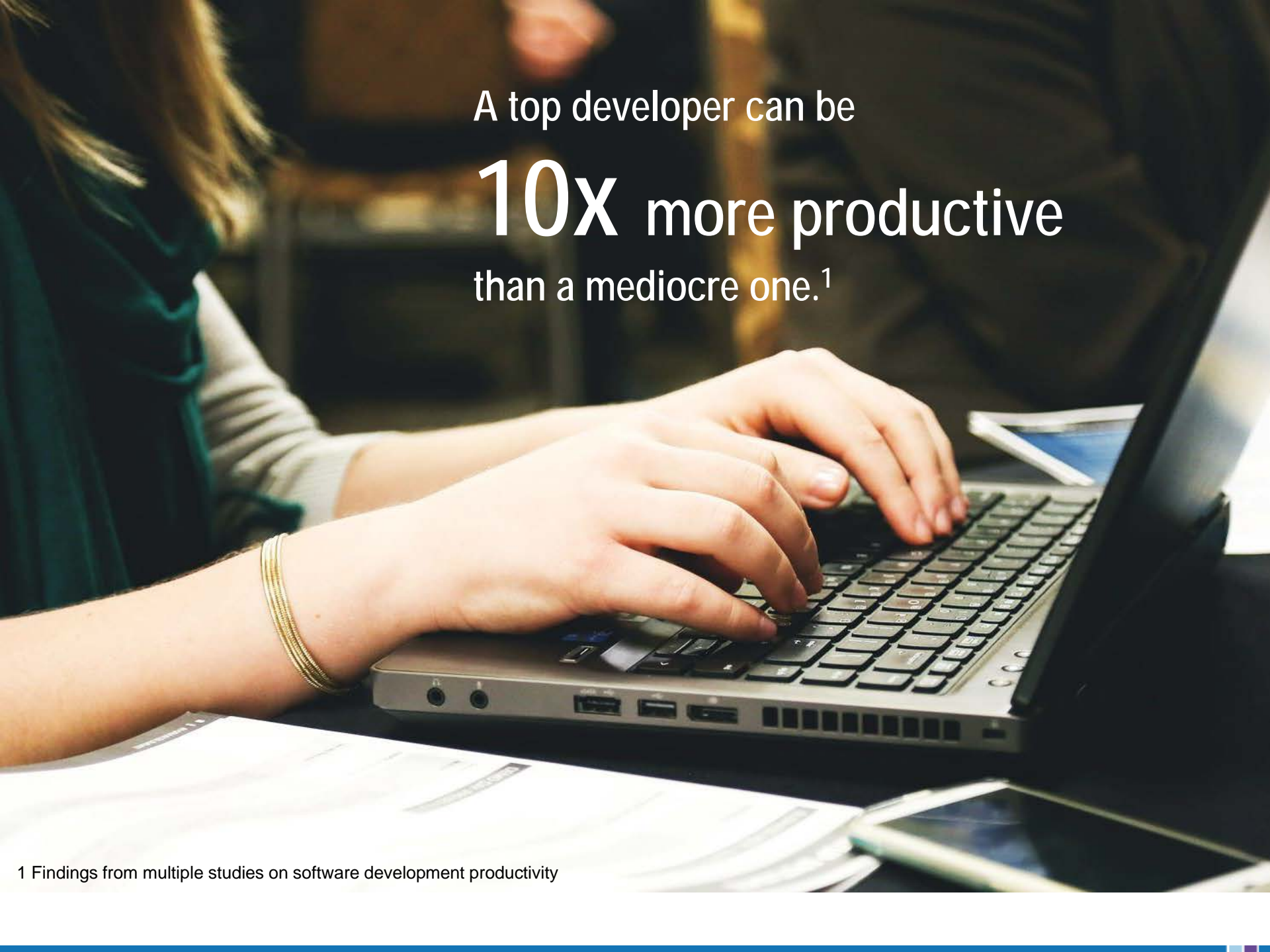
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- Windows XP
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- Blackberry
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I-phones at full price	Best price on i-phones or Androids
Blackberrys at full price	Bulk 4 year deal in 2011 on Blackberrys

You can get a good deal on the right new stuff but which is the bigger lever: Right Thing or the Thing Right?

Thing right: getting a discount

A close-up photograph of a person's hands typing on a laptop keyboard. The person is wearing a green top and a gold bracelet. The background is blurred, showing other people in an office environment. The text is overlaid on the upper right portion of the image.

A top developer can be

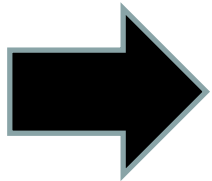
10x more productive
than a mediocre one.¹

¹ Findings from multiple studies on software development productivity

Is the Crown using the right theory in procurement?

The conventional wisdom in procurement is showing signs of strain

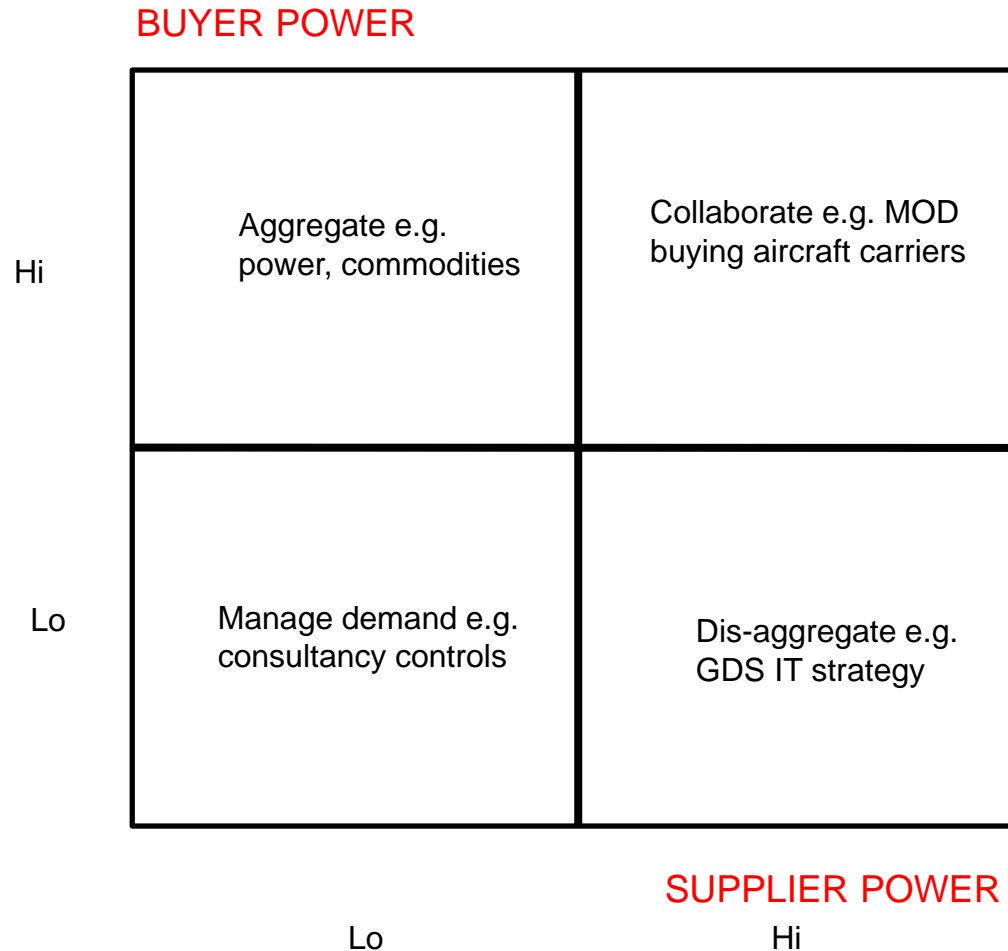
Buying tools? The right new stuff is a bigger lever than buying the old stuff cheap



Should Kraljic* be limited to fixed spec production parts procurement?

Industry frameworks agree on generic strategies ...

e.g. Prof Andrew Cox, **The Power Matrix** from *Sourcing Portfolio Analysis* (2014)



Aggregation not recommended in 3 out of 4 of these situations

Pre-market engagement is expressly permitted – and the key to buying the right new stuff

Preliminary market consultations

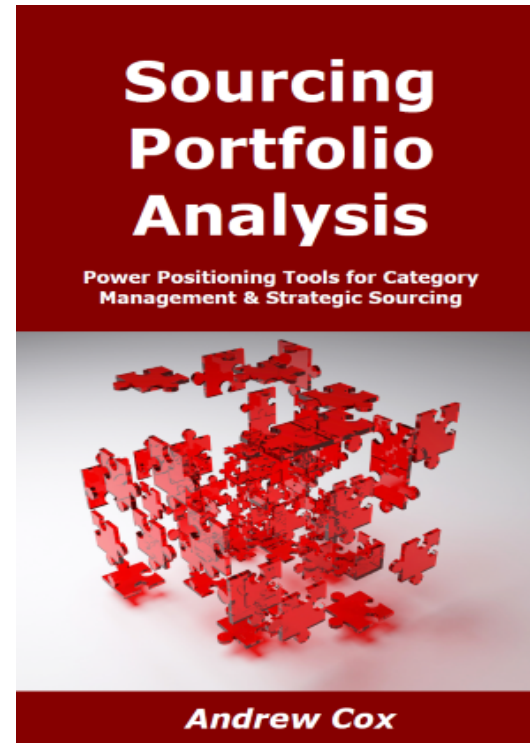
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(2) For this purpose, contracting authorities may, for example, seek or accept advice from independent experts or authorities or from market participants.

The IIAPS & Cox have asked: 'Is Kraljic right or wrong?'

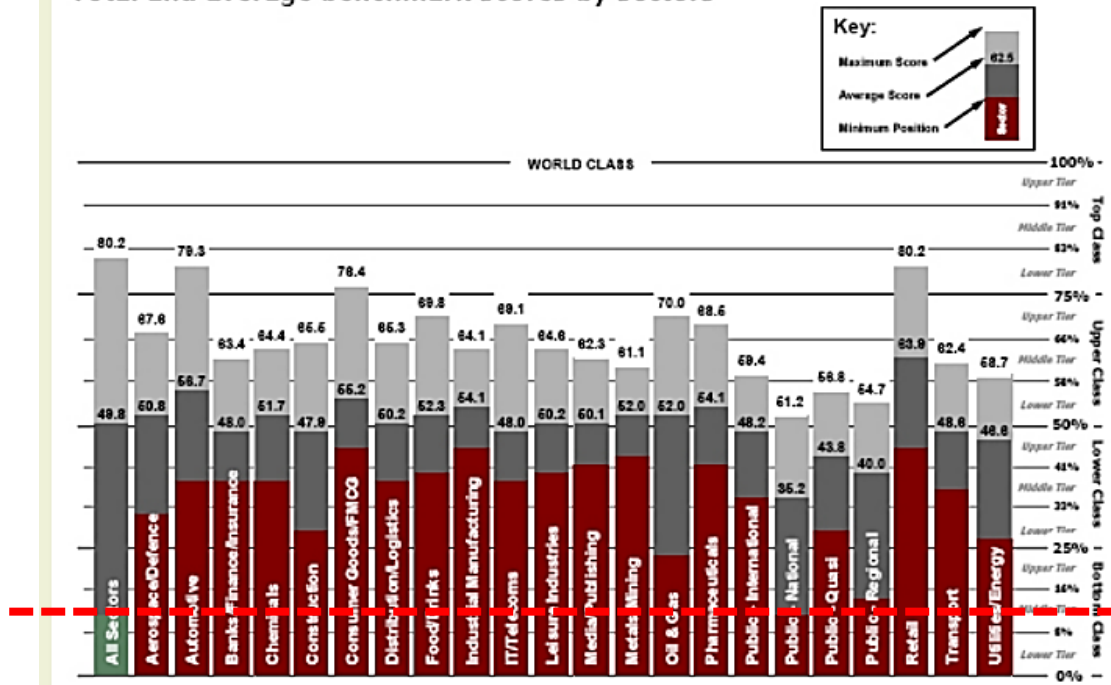


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Is Kraljic appropriate for Government procurement?

Total and average benchmark scores by sectors

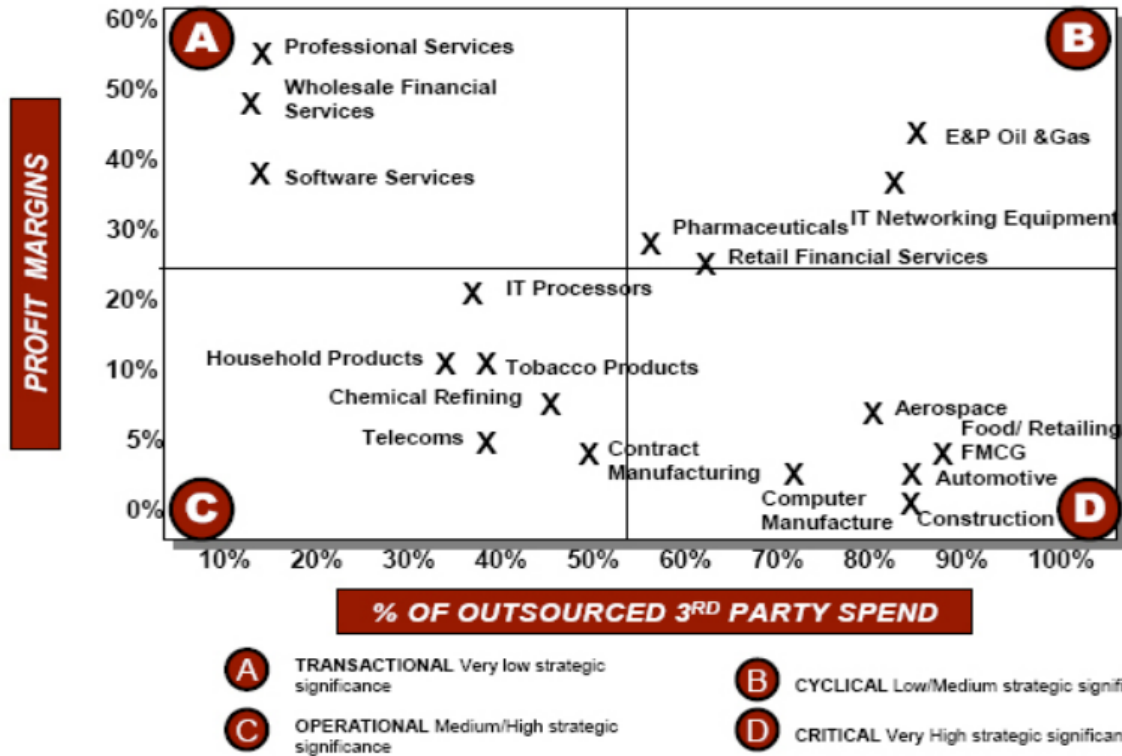


Understanding Best Practice Through Benchmarking

Public sector scores in IIAPS PSCM Index benchmarking is LOW because use of Kraljic procurement practices is not appropriate: not because they haven't heard of it

The question is when should you use Kraljic?

Understanding the organisational role of procurement and supply



ROLE OF PROCUREMENT

D. CRITICAL – use Kraljic

C. OPERATIONAL – Use Kraljic

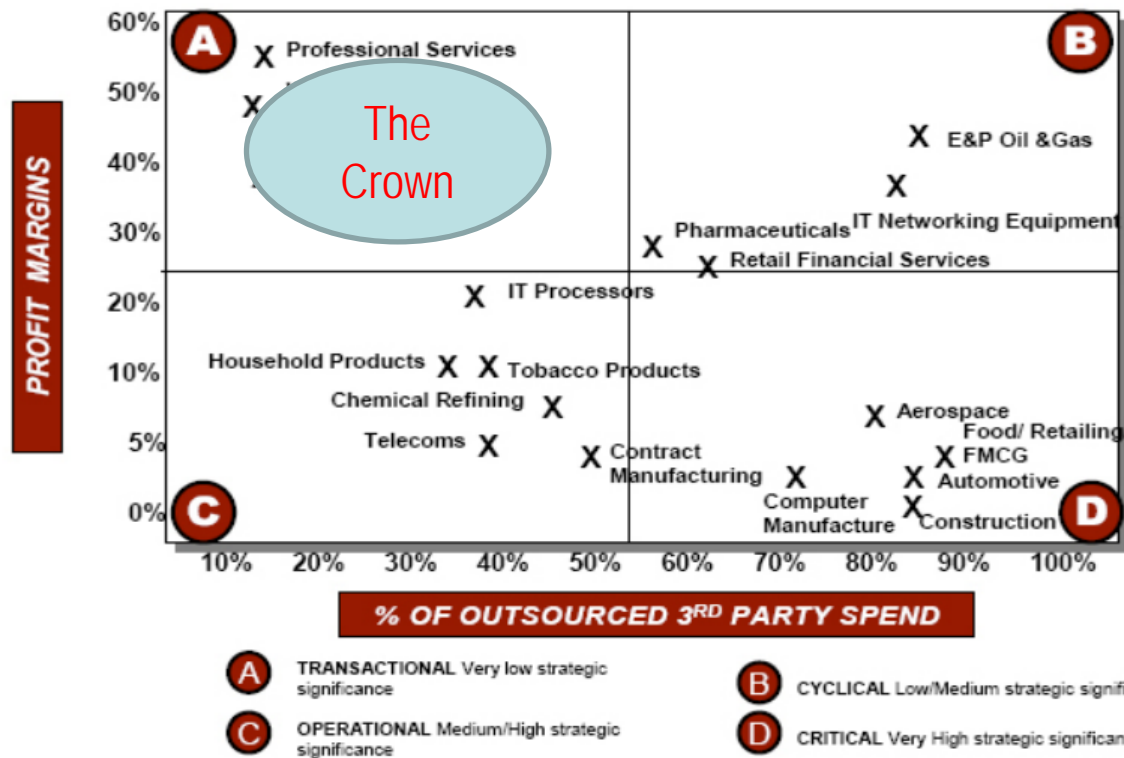
B. CYCLICAL – not very useful

A. TRANSACTIONAL – Kraljic is barely relevant to e.g. law firms or investment banks

So where would you plot Government procurement?

Where does the Crown fit on this?

Understanding the organisational role of procurement and supply



ROLE OF PROCUREMENT

D. CRITICAL – use Kraljic

C. OPERATIONAL – Use Kraljic

B. CYCLICAL – not very useful

A. TRANSACTIONAL – Kraljic is barely relevant to e.g. law firms or investment banks

So where would you plot Government procurement?

Right-sizing is now required by law. Here are the factors:

- a. Nature of purchase: fixed spec production parts or tooling
- b. Rate of change in the supply market
- c. Economies of scale in manufacture and distribution
- d. Balance of supplier and buyer power in the 4 box matrix
- e. Need for supply base capacity development
- f. Mission criticality
- g. Supply base concentration

Right sizing is a critical commercial capability

How is this taught today in CCS?

Are the training materials adequate?

(IIAPS, White Paper: **Developing Competence in Procurement & Supply Management: The Two Options**
(www.iiaps.org)

Is the Crown using the right theory in procurement?

Kraljic aggregation has been applied by CCS to inappropriate categories

Right sizing is the key skills and needs to be taught as a Capability

Digital changes everything in online commerce and IT operations

Mystery Shopper service

The Mystery Shopper service allows government suppliers and potential government suppliers to raise concerns anonymously about unfair public sector procurement practice. The government can then investigate and resolve these concerns. It also conducts spot checks on government buyers.

To use the Mystery Shopper service, [read the terms](#) and email MysteryShopper@crowcommercial.gov.uk or telephone 0345 010 3503.

By February 2015, the Mystery Shopper service had investigated 818 cases: 4 out of 5 of these resulted in a positive outcome where changes are made to existing procurements or recommendations are accepted for future contracts. These outcomes included government changing current or planned procurements, or the supplier gaining a better understanding of the procurement process. Mystery Shopper also made 511 spot checks of procurement opportunities advertised on [Contracts Finder](#).

We publish the results of Mystery Shopper investigations: follow [@govmysteryshop](#) to stay up to date or see [Mystery Shopper results](#) for details.

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Crown Commercial Service

Efficiency and Reform Group

How to win Central Government business – what else is new?

1. Enrol in G Cloud – watch the Digital Marketplace Blog for news of the OJEU date
 2. Right-sizing now disciplined by sub-lot or explain in the new Directive. Factors:
 - a. Fixed spec production parts or tooling
 - b. Rate of change in the supply market
 - c. Economies of scale in manufacture and distribution
 - d. Balance of supplier and buyer power in the 4 box matrix
 - e. Need for supply base capacity development
 - f. Mission criticality
 - g. Supply base concentration
 3. Aggregation by Default losing ground. Kraljic for tooling is a mistake
 4. Lots of helpful Procurement Policy Notices such as no mechanistic turnover thresholds
 5. Mystery Shopper growing in power and influence. Report all infractions please
 6. Contracts Finder 2.0 now in production advertising all new tender opportunities
-

Government Policy is to Get Full Value from SMEs –
buying from an SME every time they are best Value for Money

**THE SME POLICY WAS LAUNCHED ON 11
FEBRUARY 2011**

G-CLOUD IS THE STAND OUT SUCCESS

WIN BUSINESS BY HELPING NOT “SELLING”
