

In Response to:

Enterprise and Learning Committee

Date: 5 March 2008

Time: 9.00am – 11.35am

Venue: Committee Room 3, Senedd

Action point by April 4th

- Trinity College, Carmarthen agreed to provide: An evaluation of their collaboration with University College, Dublin on the Tenderwise project.

TenderWise – www.tenderwise.com

TenderWise is an innovative solution to identifying and removing the barriers faced by small and medium sized businesses (SMEs) in engaging and winning contracts from the public sector.

TenderWise was formed from a partnership between Trinity College Carmarthen (TCC) and University of College Dublin (UCD) and supported by the ‘Ireland/Wales INTERREG IIIA Community Initiative Programme.’ This joint partnership was created by a department/faculty in each institution, the Faculty of Law at UCD and the Development Unit, a business unit within TCC. Interreg has enabled the expertise of procurement law within the Law Department and the business skills within the Development Unit to combine to create a procurement toolkit for both the public and private sector.

University College Dublin is Ireland’s largest University, with 11 Faculties, over 80 Departments and almost 22,000 students, 25% of whom are postgraduates. Its mission is to promote excellence in research and teaching, and to bring knowledge to the wider Community by interacting with it, disseminating knowledge for the greater good. The Faculty of Law is Ireland’s largest Law Faculty, with a full time staff of 30 Professors and Lecturers. There are over 1,000 students pursuing the Law Faculty’s undergraduate BCL Law Degree, and BBLs Business and Law Degree.

Trinity College is the only Church College within the University of Wales. Vocationally focused degree programmes offered through the medium of English, Welsh or bilingually, a network of support services, and the opportunity to be a part of the wider community makes university life an enriching experience for students and staff at the College. The Development Unit was developed in order for Trinity College to become a force for local economic development by maximising its influence in initiating and supporting local business and community development. It aims to promote an institutional culture of innovation and a proactive presence for the college in the private sector. The unit has a key role in enabling Trinity College to respond to the opportunities and threats arising from socio-economic and political drivers such as the Lisbon and Gothenburg agenda.

TenderWise, was successfully run in two phases, phase one from December 2004 to March 2006, and phase 2 from December 2007 to April 2008. Attached is a report from each phase of the project detailing its purpose and outcomes, including some key results from a recent procurement survey.

Professor Dermot Cahill, Bangor University (formally of UCD)
Project Director, TenderWise
Dermot.cahill@bangor.ac.uk

Gary Clifford, Trinity College Carmarthen
Project Director TenderWise
g.clifford@trinity-cm.ac.uk



Phase 1 report (December 04 – March 06)

TENDERWISE - “Public Sector Procurement, A Toolkit for Small and Medium Size Enterprise Sector” – www.tenderwise.com

It was estimated that the public sector spend on goods and services in the Ireland Wales region is to the tune of over £4/5 billion pounds. Large swathes of the SME sector are not, for one reason or another, taking full advantage of the public sector’s need for goods and services. In order to foster more balanced economic development in the less developed regions, and in order to combat the threats posed by globalisation and eprocurement, it is essential that the SME sector and the public sector realise the extent of opportunity that currently exists, and work in tandem to ensure that the taxpayer obtains value for money on the one hand, while on the other, the SME sector capitalises on the opportunities that are available.

In response to the above, TenderWise, has taken the form of a multi media interactive CD ROM/DVD and website that supports SME’s seeking familiarity and greater awareness of the regulatory requirements of the public sector’s procurement policies in order to tender for contracts and the provision of services. The content of the website and DVD is the outcome of the joint research efforts of the international public procurement research team operating in University College Dublin’s School of Law, under the direction of Project Leader Dermot Cahill, and Trinity College Carmarthen’s Development Unit led by Gary Clifford.

As well as providing information and guidance on the regulatory framework for procurement, the public sector procurement (PSP) toolkit provides best practice case studies of SMEs who have successfully entered the public procurement arena as suppliers, whilst sign-posting SME’s to the existing procurement initiatives conducted by public agencies. These were later followed by delivery of a master class in procurement by the TenderWise team and its supporting organisations. The toolkit also provides information on effective supplier management, which will enable SMEs to monitor their supplier performance. It also lists sources of grant funding for SMEs seeking to modernise their procurement capabilities, thereby enhancing their ability to engage with the Public Sector.

The project also assembled in partnership with Value Wales Procurement, Contract Shop, eProc (Interreg), Arena Network, and Carmarthenshire, Ceredigion, Pembrokeshire, Gwynedd, Conwy and Denbighshire County Councils, Foothold, Chambers of Commerce, Business Eye and over 100 small companies, a wide range of valuable information. This information will enable SMEs to overcome knowledge barriers and increase confidence, which currently prevent SMEs from winning more public sector business. It also aims to help inform the public sector as to the challenges faced by the SME sector in tendering for contracts with the public sector.

Knowledge is the key to opening this door of opportunity. During our research we were able to capture over 20 hours of video footage which included procurement professionals, lawyers and small companies. These videos have been formatted to facilitate eLearning in procurement. The primary purpose of these short videos is to improve the knowledge base of the SME and small business’s employees and management with respect to procurement knowledge and familiarity for practical usage.

During the first stage of TenderWise, the team undertook several areas of research:

1. **SME Baseline Attitudes.** In partnership with Value Wales Procurement, TenderWise evaluated 50 small companies across Wales to discover their attitudes to procurement and procuring with the public sector. (*Phase 2 of the TenderWise project extended this research to an even wider audience*).

2. **Practical case studies.** Case studies written to support SMEs improving their practical tendering capabilities.
3. **Tender Documentation.** Tender documentation can vary from one public sector body to the next. The team gathered typical examples of various types of tender documents, such as pre-qualification questionnaires, prior information notices, tender questionnaires and contract award notices, along with commentary on some of their more difficult or less obvious points.
4. **How does the public sector purchase?** Matrix Diagrams were drawn to illustrate, along with accompanying explanation, how the public sector goes about the process of purchasing. Before an SME thinks of selling to the public sector, it must have an understanding of how the public sector goes about deciding what to purchase, when to purchase, and what kinds of considerations can influence this process.
5. **Procurement Legislation.** New European Union Directives on Public Procurement came into force at the beginning of 2006. The existing Directives had been consolidated and some new innovations had been introduced by the EU, such as competitive dialogue. The TenderWise module on legislation assists linking the new Directives individual articles to the corresponding provisions of the domestic Irish and UK implementation legislation. This was a very complicated task which has benefited not only the public sector when it attempts to see how various obligations in the Directives been implemented at domestic national level, but also assists legal advisers when they advise their clients on the Directives' content.
6. **E-Procurement.** There were several key initiatives well underway to modernise procurement practices, e.g., the Irish E-Tenders website and the Welsh Sell2wales site. There were major moves in both Ireland and the UK to move public sector procurement to an E-Procurement environment. A series of reports were written to assist with an overview of some of the main Government and sectoral strategies in these areas, and consider their significance for the future.
7. **Environmental Sustainability & Procurement.** The incorporation of Environmental Sustainability requirements into tenders was beginning to play a major part in public sector tendering. Many public sector bodies were seeking to promote sustainability via the public procurement process when they sought goods and services from suppliers. It is vital for the SME aiming to win such business that it seeks to engage with this Sustainability culture, as it may well effect the SME's production processes, raw materials sourcing, or business model alteration. To help SMEs and procurement officers gear up in this regard, the DVD provides information on several major sources of environmental assistance, and directs them to where they need to go for further information. In addition, we examined the INTERREG Waterford & Carmarthenshire County Councils' Sustainable Procurement Project in order to show examples of the kind of strategies that public sector or local authority bodies employ in order to help their SME supplier base better understand how to meet the purchaser's Sustainability requirements.
8. **Equal Opportunities & Procurement.** The adoption in recent years of Equal Opportunities policies in EU Member States can be advanced through the incorporation of equal opportunities criteria into public sector tenders when tenders are being drawn up. This area is in its infancy at present, but as the DVD demonstrates, it is likely to impose more onerous obligations on public sector bodies when they tender for goods and services in the years to come, and will also impact on the accessibility capabilities of the particular product or service that the SME is seeking to sell to the sector.

Phase 2 report - (December 07 – April 08)

To date TenderWise has delivered:

1. www.tenderwise.com, an information portal focusing on the following subjects: a guide to tendering, e-procurement, procurement modernization, procurement law (In plain English), information on the public sector organisations (Local Authorities, Contract Shop, Value Wales), green and sustainable Procurement and equal opportunities in procurement.
2. Distributed 19,000 TenderWise DVD's to small businesses to assist in their efforts to win more public sector contracts for goods and services sought by way of public tender, which has been supported in particular by Contract Shop and Carmarthenshire County Council.
3. Held two 'TenderWise' information events in Carmarthen and Dublin
4. Five training/forum events in Carmarthen, Aberystwyth, Bangor, and Dublin in partnership with Value Wales Procurement, Contract Shop, eProc (Interreg), Arena Network, and Carmarthenshire, Ceredigion, Pembrokeshire, Gwynedd, Conwy and Denbighshire County Councils

TenderWise (phase 2), extended and built upon the work created during phase 1, and another 5 areas of the project was developed.

1. Further development in understanding EU and National Procurement Law to achieve transparency to the benefit of the SME sector. The TenderWise website will cover procurement law legislations upto April 2008.
2. Targeted procurement training for SMEs by UCD and TCC on:
 - a. How to "green" a tender application
 - b. Tactical use of legal rights in the procurement process
 - c. How SMEs can positively influence the Public Sector Purchaser
 - d. How an SME can meet the challenge of E-Procurement
3. Procurement Forum(s), TenderWise acted as facilitators to allow the public sector and SME sector to have constructive dialogue on the respective difficulties they face in the Procurement Process
4. Market Research – Survey outline, its aims, results, conclusion and a summary statement can be found below.
5. A Fully Bilingual Website –A fully Welsh/English procurement website at www.tenderwise.com, has been created.

Survey Outline

In December 2006, the TenderWise project was awarded further funding to continue its work. As part of our brief we undertook a procurement survey across the Interreg region of Wales and Ireland. The main objective of this review was to gather information on the experiences of SMEs in dealing with the public sector tendering process, with an emphasis of understanding the following:

1. How the private sector engaged with the public sector during the tendering process
2. What barriers are currently preventing SMEs from winning public sector contracts
3. What training or support SMEs believe they require to win more public sector contracts
4. The impact of the eProcurement process on the SME when tendering for future public sector contracts
5. Why SME's are not using the numerous support organisations to better equip themselves during the tendering process (Accreditation bodies, Contract Shop etc..)

Survey Aim

The results of the survey were used to design an appropriate procurement training forum for both private and public sector bodies, with an opportunity for an SME to business to learn more about the technical aspects of tendering, while presenting an opportunity to meet key public sector procurement players. Topics covered included:

- Good Practises in Tender Writing
- Selling a Green and Sustainable tender

- Losing a tender
- Getting more from a Public Sector Purchaser
- eProcurement.

Key Results / Conclusion drawn from TenderWise Survey

From 4978 companies surveyed across Wales (Interreg) a total of 191 companies responded, of which 62.4% were a limited company and a further 25.3% a sole trader, with 75% of all who replied having less than 10 members of staff.

- Contract Notification: 42% of companies received a direct invitation to tender for a given contract, 33% were received from a personal contact and 22% via contract shop.
- SME contract engagement: 48% of all companies claimed that none of their turnover was accounted for by tendering with the public sector, with a further 15% claiming this only made up to 5% of their annual turnover.
- Contract Values won by an SME: 43% of companies have not tendered for a contract, 16.3% for contracts under £10,000, 22.3% for contracts under £49,999, and 19.4% winning contracts above the £50,000 threshold.
- Barriers identified for why an SME feels they are not winning more public sector contracts: Did not know how to achieve approved supplier status, did not know what tenders were available, felt their company was too small, did not understand the formal tendering process, procurement process too demanding on staff and company resources, lack of company confidence, a language barrier, and a lack of knowledge of accreditation scheme's and their benefits.
- Business Support and Training: Alongside the barriers identified immediately above, SME's felt that services offered by support organisations often did not meet the needs of the company (62%), support was often not flexible enough (45%) and the support that was received was often too little in content and time to be of any use.
- eProcurement: From our survey we asked SME's to account for the annual turnover received or spent online.
 - 72% of companies asked indicated that less than 5% of their annual turnover was accounted for by online sales, while 51% of these companies have yet to accrue any sales online.
 - 44% of companies have purchased up to 5% of their annual turnover online, but 18% of these companies has yet to purchase online. A further 42% of the companies surveyed told us that their expenditure online was between 6% and 50% of their annual turnover.
- 92% of all companies were connected to the web via broadband.

Outcomes and Key Themes

1. Small companies in Wales are not winning any/enough small contracts through public sector tendering. 42.4% of the companies surveyed had yet to win a public sector contract, while a further 39.2% have been awarded a contract below £50,000. Of all the companies we surveyed 75% are receiving their contract notification via a personal contact or a direct invitation, contract shop was also recognised as a source of contract notifications with 22.4%. A conclusion we can draw from this is that pre-identified small companies are being awarded small contracts (under £50,000) as a preferred supplier via the contract-awarding officer. This preferential treatment is not allowing a competitive marketplace to develop and certain small companies are losing out on business.
2. A 'bias' towards certain organisations develops as pre-approved companies are often seen as a dependable contractor and usually less of a risk to the contractor. As most public sector contracts under £50,000 are predominately unregulated, a preferential system does not engage in generating a level playing field and some organisations are probably never made aware of a contract notification. If contracts are awarded to the same organisations most of the time, then

for a 'new' business entering the public sector tendering game, they are immediately at a disadvantage, as they will often never be considered. EU regulations dictate that all contracts must be dealt with transparently.

3. Reporting from a Higher Education institution whose aim is to develop economic growth, via graduate start-ups in the region, we would encourage these companies to work where possible with the Public Sector. As the Public sector is regarded as the largest employer and biggest spender in Wales these 'new' graduate start-ups would often not be given an opportunity to win Public Sector contracts. 'Risk' plays a key part in awarding every contract, but if small businesses are not given an equal opportunity to tender then their development and the economy will suffer.
4. Our survey identified 'procurement' language as being a significant barrier to why small companies are not tendering for public sector contracts. Procurement professionals and small companies are not sharing the same language or have no language in common. During our research we discovered that the reading age of 'The Sun' newspaper was approximately 11 years old, yet when we were constructing our research questionnaire our first attempt had a reading age of 20+. To target a wider audience all our documentation was rewritten in plain English, this is something current procurement professionals/managers/officers are not doing to cater for the average small business in Wales; which is a barrier they can immediately remove.
5. Companies in Wales are not making the most of web technologies, their sales online suffers in comparison to their online purchasing power, where they found it easier to purchase from their suppliers, while on the other hand they are unable to provide this service to their customers. As the web plays a critical role in levelling the playing field with regard to the size of a company and its profile, 51% of the small companies we surveyed are not effectively using this method to generate sales.
6. A large majority of small companies in Wales are unaware of the importance and impact of an appropriate accreditation for their organisation and the weighting these give during the tendering process. This could be due to the ignorance of the typical small company in engaging with support organisations, or as our research shows the support offered does not meet the needs of the company, was often not flexible enough and support received was often lacking in content and time to be of any use.
7. Tender documentation is often too difficult to follow and too time consuming for an average small business.

Summary Statement

Small companies in Wales are not winning enough small contracts with the public sector, below are some of the key areas TenderWise have identified from its survey where further development would enable small companies to overcome these barriers and engage with the public sector.

1. Tendering Documentation and Processes
 - a. How to Tender – Media Video – A complete step by step ‘How to Guide’ on tender writing submissions.
 - b. Tendering with the Public Sector – Explore and implement the use of a procurement business-to-business mentoring programme in local regions over Wales. (Our recent inclusion of a small company in our tendering workshops created great debate and discussion of their experiences gained from tendering with the public sector)
 - c. One tender document for all, a planned structured document needs to be created.
 - d. Transparency of all contracts regardless of value. To provide training to public sector organisation in providing transparent contracts for all.
 - e. Exploring the use of RSS feeds in the use of tender negotiations and feedback.
 - f. Specialist software needs to be created/developed to enable SME’s in Wales to market and sell their services and goods to sell effectively online and the creation of a sophisticated Flowchart/Gant Chart of key procurement schedules of law (e.g. contract notification, cool off period, contract contention period, contract issue), and what level of detail a company/public body is expected to provided at each stage of a tender lifecycle.
2. Research into SME engagement with the Public Sector specifically on contracts up to the value of £50,000, which will include the education of EU thresholds requirements, and the requirements of transparency of Public Sector Contracts less then £50,000.
3. Merger of TenderWise and eProc (Both Interreg funded projects) – investigate the use and implementation of eProcurement in both the private and public sector and support the role of Value Wales in the ‘Exchange’ programme.
4. Accreditation Analysis – Full scope of all accreditations available to a small company including a full breakdown of pros, cons and costs of implementation.