Enlightened Tech SMEs Sell Better To the UK Public Sector

Advice Cloud 'Client and Partner Day', Jan 2020

Jos Creese, Strategic Client Advisor, Advice Cloud

Setting the Scene

The 5th annual Advice Cloud Client and Partner Day was, as ever, an insightful event. It is always much more than a bunch of tech SMEs getting together for a discussion about how hard it is to sell to the public sector.

Over 50 attendees were at the event, with many questions for the expert panel, 'surgery style', about how to engage better with the public sector for improved results for buyers and sellers alike.

The panel of cross-public sector expert witnesses were:

- **Niall Quinn,** Technology Director at Crown Commercial Service, responsible for driving increased government IT spend through the 'Technology Pillar' and in delivering on government commitments relating to SME targets, Social Value, Cyber Assurance in the supply chain and the Prompt Payments code.

- **Nicola Graham**, former president of Socitm & current Head of ICT at Aberdeenshire Council, leading and developing digital transformation, using technology to streamline service delivery, and the continuous development of the council employees' digital skills.

- **Robert McMillan**, Head of Commercial Delivery at NHS Digital focussed on using technology to transform best health and social care services across the UK, especially in areas such as using data intelligence to improve patient and doctor interaction and to drive efficiency.

- **Rob Anderson,** Principal Analyst at GlobalData, providing analysis and market intelligence to the public services including buyers, suppliers and practitioners. As Principal Analyst for Central Government, he is responsible for reporting on key market trends within the sector, as well as identifying opportunities for revenue growth.

We opened the event with scene setting on some of the challenges that tech SMEs still face when dealing with the public sector. This is typically around complexity, cost, unclear requirements, and the length of time procurement can take. These factors can still be especially challenging for tech SMEs, often giving the larger vendors an advantage, despite the government commitment to spending "£1 in every £3 on SMEs" by 2022.

Improvement Through Engagement

Whilst the panel agreed that there were still issues in public sector IT procurement, they also saw strong improvements in every part of the public sector in helping SMEs. There was also a view that Brexit uncertainty had resulted in a period of stagnation which was at last coming to an end.

At the same time, we heard that realism is needed – public sector procurement rules often had a necessary purpose to protect public interest and to ensure transparency and fairness:

> *"The rules and regulations in public sector procurement that cause the problems SMEs experience are often hard to change and do bring benefits as well as frustration. Some can be mitigated significantly if you know what to do, and others are just not there at all – they are 'urban myths'"*

The importance for SMEs, it was said, was to engage with the sector and individual clients *before* any tender starts. Whilst not always easy, many public sector bodies hold supplier open days to engage to the market before formal tendering processes start, and these are very helpful. In addition, the panel advised SMEs to seek out ways to meet with prospective clients at events such as conferences or through contacts:

> *"A relationship needs to be built before we go anywhere near procurement"*
>
> *"Word of mouth and who you know is extremely beneficial when selling and local authorities often make referrals"*
>
> *"We bring our suppliers in when we are thinking about strategy"*
>
> *"You need to build relationships with the CIOs and those tackling complex public sector problems"*

There was also general agreement that it was often less about 'product, service and price' and more about 'engagement, value and trust'. SMEs need in particular be able to demonstrate how they would work with a public body if they won a tender, securing maximum value from their offered product or service, and how they would help wider problem solving.

The panel felt that sometimes SMEs were not good at presenting their case in these areas. An SME could describe the technical merits of their solution well enough but did not perhaps fully grasp the agenda for wider topics, such as 'social value in procurement' or demonstrating robustly enough how they could scale their solution.

Several of the SMEs said they were concerned about how they can prove their ability to scale to public service buyers. The panel responded with some insight on this point:

advicecloud

We heard that Whitehall is beginning to become more creative in the way it manages its relationships with SMEs, with greater flexibility in how finances (opex and capex) are treated, and in applying easier processes when there is only small value at stake in an IT procurement.

Frameworks such as G-Cloud are helping too, although being on G-Cloud is just not in itself enough to sell, the panel agreed. In Scotland, public services tend to use Scottish frameworks before G-Cloud, and SMEs need to be aware of this. There was also a suggestion that there is a need to shift from frameworks to Dynamic Purchasing Systems (DPS) for greater flexibility and technology innovation.

Terms and Conditions

On the vexed subject of Terms and Conditions (T's&C's), it was acknowledged that there is a need for new T's&C's for Cloud services – "simpler, easier to use and to understand", as one panellist said.

Many public bodies also invent their own T's&C's, and the variation across the public sector makes it especially complicated for SMEs. The panel felt that this is sometimes a symptom of risk aversion in the public sector driven by high levels of political and press scrutiny and trying to please all interests, or "to cross every 'T' and dot every 'I'".

There are government plans for new pre-market engagement processes in the cloud services marketplace, which will help, the panel agreed.

advice**cloud**

Choose Where and How to Compete

A number of SMEs still felt that the procurement processes are biased towards the interests of the big suppliers and several of our expert panel said that buyers will often know who they want to buy from before they start a tendering exercise.

This may not be fair, but it is a fact of life. Sometimes it may just be necessarily to partner with a larger supplier. In London for example, it has recently been reported [1] that over 90% of total local government IT spend is still placed with just 15 technology suppliers.

With the lack of join up in parts of the public sector, especially in Health and local government, the panel recognised that it can be especially hard for SMEs. Technology buying across the NHS for example, is very fragmented, with few national standards.

The panel's advice was "to prepare with care and be selective". This means finding out the procurement process and decision-making before responding to a tender and being discerning in which tenders offer the greatest success potential, and which perhaps to leave alone, however lucrative they may look. Requests for Information early in a tender process can be a good place to start.

In the Health sector, we heard that the majority of NHS digital spend goes through CCS frameworks, but there remain considerable challenges for tech SMEs, particularly around interoperability requirements and integration. The panel advised a focus on helping to mitigate the challenges of integration that a typical Health sector CIO is grappling with:

"Start with small opportunities and build from there. This allows the buyer and seller to become more attuned to one another before scaling"

"We need the various product sets across the health service to interact with one another better – there is a lot of work to be done on interoperability"

These are all ways that an SME can compete better with the larger vendors, the panel said.

Looking Ahead

Looking ahead, the panel predicted a range of areas where SMEs need to keep up with the pace of change to increase their opportunities for doing business with the public sector. Four were singled out:

---

[1] https://www.bbhub.io/dotorg/sites/33/2019/11/CityTools_London.pdf

About...	Why it Matters...	The SME Response ..
Legacy IT	CIOs often face a huge challenge in dealing with legacy IT – it is rarely straightforward to swap older technology for a new IT offering. However innovative and beneficial a new product or solution may be, the challenge is often in retiring or moving from existing legacy operation – cost, complexity and culture change for example.	How can the SME assist the CIO in dealing with legacy constraints? This might be in terms of realism about pace, cost or risk of change to the new solution, but also by providing evidence in case studies of similar implementations.
Data and Information	Concerns about data locked into proprietary applications has grown, as data becomes the single most important asset in public services. Open data, standards and open APIs are becoming critical, as is the need to demonstrate strong cyber practices in how data is processed and handled.	Be prepared to talk about how data is handled both in an application and also within the SME business itself. Data ethics, openness, shareability and equality are key aspects to this, especially in any AI solution.
Environment and Climate change	Many public service organisations, and the majority of councils, have a climate strategy and have declared a climate emergency. IT has a big part to play in this, both in helping councils to achieve zero carbon targets, but also because technology can be a cause of global warming.	Focus on the environmental credentials of your company, the product and how it can be used. Whilst this may not be central to every tender, it is likely to be a differentiation factor.
Social Value in Procurement	This is about the wider contribution a supplier can make to public services beyond the supply of a required product or service. It is much bigger than IT, and the Social Value Act requires public services to consider, how procurement in general could improve the social, economic and environmental well-being of the relevant area.	SMEs can often offer a particularly strong vision in a locality in terms of their contribution – e.g. growth, jobs, support for schools, support for charities, local environment and much more. Seeking ways to connect the business more closely with the public service challenges is a good tip.

On social value in procurement, one SME asked about how they can contribute if they are not in the local area. The panel felt this should not necessarily be an obstacle:

"You can still find out what is happening in another part of the country and respond with a sensitive and directed proposition"

"Although a local presence undoubtedly helps, use case studies of what you have done elsewhere"

advicecloud

> "Be prepared to travel to the area and talk about some of these wider issues before tendering, or read the small print and background to the organisation's social value intentions"

Conclusion

The event finished on a positive note – changes happening in public service procurement will increasingly benefit SMEs seeking to sell to the public sector. As we come through the doldrums of the pre-Brexit period, there is a clear pent up demand for digital solutions and replacement of older, more costly legacy IT in government.

However, SMEs need to think carefully about how they position their products and solutions, and this is much more than just selling the benefits of the technology itself.

It was notable, for example, that although there was an interest in emerging technologies, (such as Artificial Intelligence, Internet of Things, and Machine Learning) most of the panel discussion was about the context for IT, not the technology itself. This is often where SMEs can compete with the larger vendors, focussing on 'innovation with technology', rather than just on 'innovative technology'.

Advice Cloud is here to help SMEs in particular to understand the marketplace, close the gap between the interests and needs of the public sector, and the potential benefits that tech SME services and products offer.

About Advice Cloud

Advice Cloud are public sector procurement specialists and G-Cloud consultants. We specialise in assisting both Public and Private organisations in buying and selling services that include IT, Cloud, Business Process Outsourcing (BPO), Digital and Professional Services.

We work with organisations of all sizes, from large multi-billion global entities to Micro/SME businesses and Start-ups, Central Government Departments, Local Authorities, Blue Light services, Education, Housing, Healthcare/NHS, and more.

About the Author

Jos Creese chaired this event and has been an Advice Cloud Strategic Client Advisor for 5 years, running a range of business surgeries and workshops to help SME who work with Advice Cloud. He has been a public service CIO for many years and is now a recognised independent analyst and advisor, with deep experience and knowledge of public services.