This document is to help larger organisations and the public sector interact more effectively with micro and small to medium enterprises (“SMEs”).

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The Big Company Engagement Handbook

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With 4.8 million SMEs in the UK, and combined revenues of £3.1 billion, there is a reason behind the government drive for more corporates and the public sector to work with SMEs:

- The SME is creative, nimble, innovative, reactive, accepting, forgiving, motivated by success, and most of all personable.
- For those considering purchasing services from an SME, you are typically assured well-educated, experienced consultants that have already worked in big company consultancies and many other businesses large and small, rather than those just exposed to clients through a big company consultancy, and costing far more.
- Your business will be gold dust to the SME – their managing director will want to be in the loop from the start, ensuring you are a happy client from the outset.
- The SME recognises the importance of client retention and the cost of winning a new client is considerably higher than providing some extra 'loyalty' concessions to retain their prompt paying clients.
- When finalising a deal you will be able to overcome the typical commercial and contractual hurdles much quicker compared to engaging with a big company. The boss will be on hand to personally approve reasonable changes rather than the many approval levels required to finalise and sign contracts within the big company.
- The SME maintains a tight rein on their operating costs, keeping them low to offer competitive pricing to win more clients, whereas the big company has substantial operating costs and overheads to build into their pricing.
- Rather than dealing with the various layers of salesmanship to secure the best price with the big company, the managing director will often conduct client negotiations on behalf of their business allowing for quicker more efficient decision making.

The Procurement Process

As gatekeepers for new suppliers, buyers will be assessing the viability of all suppliers; however this should be based on a combination of capability and risk mitigation as well as turnover.

SMEs take time to build financial stability and can’t be assessed on turnover alone. As a minimum a balanced assessment of risk should be undertaken based on the following:

- Projected spend
- Business importance and dependencies
- Market conditions
- Business continuity
- Type and complexity of service or goods required (pens vs software coding)
- Industry sector of the supplier

Naturally, rigorous procurement processes are essential in big and small companies but it should be assumed that the SME will not be familiar with your procurement process. It is important that your procurement or supplier on boarding process is communicated to the SME well before they start investing time in crafting their interpretation of your requirements. Talk them through each step of your procurement process, and most importantly where they really need to concentrate their attention. Time really is money in the world of an SME.
As the stakeholder will often be on the frontline of supplier engagement, they should be well versed in what procurement process might be followed dependent on the nature, size, spend threshold, and scale of the project.

Once the procurement process has been agreed with the buyer, the stakeholder should inform their SME contact of the procurement process that needs to be followed. SMEs will be unfamiliar with such processes and will require additional guidance compared to larger companies.

Now that the SME and stakeholders are familiar with the process, all business departments need to provide relevant input to assist with bidder prequalification, drafting of the tender documentation, and all further stages of the project through to contract award.

**Prequalification**

Big companies should ensure that all SMEs understand, and are aware of what is expected of them during the Request for Information ("RFI") or the Prequalification Questionnaire ("PQQ") process.

The prequalification process should clearly outline the project next steps and timelines, to help the SME assign its employees to the project at the appropriate times.

Where SMEs are invited to participate in this process, or an informal prequalification, such as a buyer assessment of capability, buyers should set out the evaluation criteria so all parties are clear on how they are being assessed and the basis in which business is awarded. Typically the SME will not be well versed in how big companies evaluate new suppliers.

If company turnover is a critical component of the prequalification process then the buyer should inform the SME of this from the outset and should not invite them to participate in the tender process.

SMEs will often make their own interpretation of the requirements and not ask clarification questions. SMEs should be encouraged to ask questions before providing a response to ensure they have provided their best attempt at participating in the tender.

It is imperative that the relevant department, or stakeholder, responsible for the spend category that you are reviewing, is informed and supportive of the RFI process, and recognises that there is an opportunity to tender this contract or business.

If the process is exploratory at this stage then it is important that the SME is made aware of this and notified that there is currently no business opportunity. SMEs will otherwise assume that there is a sales opportunity and will request to keep in contact.
The Tender

At this stage it is assumed that the SME has been invited to participate in the tender following successful prequalification. Subject to credit checks being conducted at shortlist, the following criteria should be assessed:

- The SME falls within your business turnover threshold
- The SME generally has the capability to deliver the goods or services required
- The SME works with similar clients to you

Assuming the above has been completed, it is expected that your prequalified SMEs shall be invited to participate in the tender, namely the Request for Quotation (“RFQ”), Request for Proposal (“RFP”), or Invitation to Tender (“ITT”).

Buyers will be familiar with the amount of time required from many business departments to draft a quality tender. Likewise for the SME, or any other company participating in a tender process, the SME will be well aware of the time required to produce their tender response. However they need to be clear about the timeline for contract award so they have an end goal and can factor the project into their work load.

Be mindful of running tenders during school or summer holidays where resources are limited on both the buyer and seller side. Where tenders are published during these periods, buyers should ensure that the project team is available to answer bidder questions and the bidders have the team on hand to deliver a quality response.

Policies & Process

SMEs are growing, and as such so are their internal processes. Whilst internal policies, processes, and governance are firmly embedded into the big company’s DNA, for the SME they are catching up, and often they will not have invested time in refining their processes and policies. The tender process will be seen by the SME as an opportunity to invest the necessary time to complete the vital documents required as part of the tender process.

The SME should be informed of what policies are required for the goods or services to be purchased, and the buyer should outline the importance of each document.

- IT Security
- Anti-Bribery & Corruption
- Service Level Agreement
- Privacy / Data Protection
- Corporate Responsibility

Price

This is one of the critical components of the tender process, and it is a fundamental responsibility of the buyer to ensure that all bidders’ pricing can be evaluated fairly and impartially. Some of the examples to consider when drafting a pricing template are as follows:

- A pricing template in an easy to navigate format
- The template should be protected to avoid amendment
- The pricing should factor in growth
- All cost models should be considered and communicated in the same format
SMEs should be made aware that no variation on the pricing template should be provided. SMEs should however be provided with an opportunity to demonstrate additional value add or return on investment models as part of their proposal.

Buyers need to be mindful that often SMEs will 'buy your business'. If the SME price is significantly lower than all other bidders, further investigation should be conducted to assess the viability of the pricing. Above all pricing needs to be sustainable to avoid future risk to supply.

**Capability**

All questions should be clear and look to attract short and concise answers to enable your project team to easily evaluate bidder responses.

It is assumed that stakeholders will contribute to drafting the tender questions and specification. The buyer must review the documentation to ensure that it will not be misinterpreted, and drafted in a format to ensure the SME is clear about exactly what response is required.

**References**

As part of the tender documentation, providing credible relevant case studies and references that are happy to be contacted, is critical. Big companies should be explicit about the type of reference client they are looking for and what they want to achieve from the call. Without this the SME will make their own assumptions and may propose smaller clients that are not of a similar size and industry to your business.

The stakeholder will have little time to invest in making reference calls, so they should be relevant with a clear agenda agreed, to ensure you can evaluate the references appropriately.

**Evaluation**

Rather like the prequalification phase, SMEs need to be aware of exactly how they will be assessed against other bidders. SMEs will be unfamiliar with the evaluation process and will assume that selection is based on capability and price. Where possible the tender should show the section weightings to demonstrate the importance of each question ultimately helping each SME to draft their bid.

Stakeholders must be involved in both drafting the evaluation scoring matrix and the evaluation of all SMEs, every step of the way. Stakeholders must remain impartial, unbiased, and not make or receive contact from participating SMEs.

If the evaluation process has been a success then the buyer should be left with 2 or 3 suppliers that can be shortlisted to present to the senior project sponsors. The SME should be made aware of the number of suppliers shortlisted to give them comfort that they have a good chance of winning the business.
All parties that are not shortlisted should be verbally notified that they have not been shortlisted at this stage and provided with a debrief of why they were not shortlisted in accordance with the final scoring. This will help SMEs learn which sections of their proposals require improvement for the next tender.

**Presentations**

This part of the procurement process is critical as it provides an opportunity for both your company sponsors, budget holders, and the project team to see the shortlisted companies and for the shortlist to pitch their proposal to the panel.

The shortlisted SMEs will look to invite as many employees as possible to demonstrate their capability and ultimately win the business. The tender should highlight that there is a limit of 2 to 3 attendees.

The buyer and project team must agree the agenda, ensuring that commercials are not discussed in the presentation. Typically the agenda should consist of:

- Introductions
- Overview of project
- Demonstration
- What makes you different?
- Case studies
- Q & A

The buyer must ensure that the agenda is adhered to and where possible questions left to the end. Where possible provide your company attendees with a simple score card to help them evaluate the presentations. This will help provide a more comprehensive debrief to bidders following award, and help SMEs learn how to tailor their presentation for future tenders.

**Negotiation**

SMEs must be informed if further negotiations will be required. The long term relationship needs to be sustainable and one that can be honoured throughout the term of the agreement. Depending on the potential contract value, negotiations with SMEs will typically be with the MD or CEO.

The SME may have a lower cost of sale, will be more agile and able to be more creative with their pricing than perhaps larger more established big company organisations. The contract and pricing will require negotiation, although it is advisable that as long as the pricing demonstrates market competitiveness at response stage, then negotiations should be short and only if the SME is part of the shortlist.

Throughout the negotiations buyers need to be consistent, SMEs must ensure that their pricing is sustainable and can be honoured throughout the term of the agreement.
**Recommendation**

The buyer should ensure that all associated risks are presented to the approval panel. It is also worth using the recommendation as an opportunity to demonstrate the awarded party’s benefits in terms of innovation and what differentiates them from their competitors.

**Contract award**

Buyers should be aware that SMEs typically do not have an in house legal team. Often the MD or CEO negotiates the terms on behalf of their company.

Typically the SME will accept big company terms unconditionally. On this basis generic terms should be mutual and fair; ensuring that mutual indemnities are provided where there is a shared risk of breach of confidentiality and data protection, and intellectual property infringement.

The following terms may impact SME sustainability and should be negotiated:

**Intellectual Property Ownership**

Big companies should only request ownership of intellectual property if the SME is developing material, content, or code specifically for them. As part of the tender documentation the buyer must request evidence of the SME’s professional indemnity insurance policy to ensure that they have sufficient insurance to mitigate risk.

**Payment Terms**

Cash flow is king for both sides, big companies must be reasonable about payment terms. Maximum 60 days terms should acceptable to SMEs. Anything more is unsustainable, unreasonable and not industry standard.

The SME should be kept up to speed with the anticipated time required to finalise and sign the contract.

**Termination**

There should be reasonable provisions for termination on both sides. The SME should be provided with the opportunity to remedy any service/contractual failures.

SMEs will expect their clients to contact their MD if they are not satisfied with the quality of goods or service at any point.

**Supplier debrief**

Once you have awarded contract, the buyer must notify the unsuccessful companies, and offer a telephone/email debrief of why they were not successful. Where they scored well, not so well, and an overview of the scoring matrix should be communicated.
Next steps

If a purchase order ("PO") is required, the SME should be made aware before they commence work. The buyer should notify the awarded party of the next steps to ensure they are clear about what is expected of them.

The buyer should support the SME, and be on hand to answer reasonable questions throughout the on boarding phase. Dependent on the nature of the engagement, buyer involvement in contract management and performance reviews can be critical for supplier management and business continuity.
About the Author

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After 15 years of supporting and building global procurement functions within the telecommunications and retail industry, Phil founded Bridge Procurement in April 2013. Phil has personally helped a number of fast growing organisations become more profitable by improving procurement processes, contracts, and policies to make client and supplier engagement more efficient and productive. Phil is fast becoming one of the UK’s leading experts in improving commercial engagement between blue chip organisations and SMEs. Bridge Procurement helps companies of all sizes to reduce their operating expenditure, as well as increasing their revenue and improving sales conversion through perfected bid responses.

Please click here to find out more: www.bridgeprocurement.com