

Our sixth annual GovTech SME Survey ran from January - March 2021. It was completed by over 100 SMEs who operate or aspire to operate in the public sector.

Introduction

Helping SMEs access the public sector technology market is a critical part of the work we do here at techUK. The potential that small businesses have to transform public service delivery through their innovation and capabilities is clear and well documented. We want to support government in harnessing the innovation of SMEs, which is why each year we run this survey to better understand the experiences of SMEs in the public sector technology market.

Reflecting on what is going well



The government's efforts to help more SMEs break into the market have not gone unnoticed, with 40% of respondents feeling that the government has acted on its commitment to helping small businesses break into the market over the last five years. This is a considerable improvement from last year, but it also shows that more work is needed, urgently.

The benefits of the Digital Marketplace are still being felt, however, with 65% of respondents agreeing that it has made opportunities in the public sector more open and visible to all, increasing SME access to the market.

This is a 5% increase from last year's results, showing that the Digital Marketplace is still setting the standard when it comes to helping SMEs access this market.

"According to analysis by Tussell, the proportion of total Central government spend with tech companies that were SMEs increased from 13.4% in 2019 to 13.7% in 2020."

Where improvement is needed

SMEs have limited trust in government, with 68% of respondents believing it will not make the SME spend target and a very worrying 92% feeling that government buyers do not have sufficient understanding of how small businesses can meet their needs.

Moreover, 52.5% of respondents stated that they find it challenging to look across the various frameworks and tender vehicles. Despite 45% of respondents generally feeling that they get adequate support and guidance from organisations that host frameworks, it is still less than half, and lots of respondents alluded to having to figure out the process themselves and many are disappointed that framework organisations do not link them to buyers.

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feel that government buyers do not have sufficient understanding of how small businesses can meet their needs

Barriers to the market

The Digital Marketplace continues to help ease access to the market but more needs to be done. Despite considerable efforts from the government, the situation is far from perfect and we know there are a number of barriers in the way of SME access to the market that still need to be broken down.

"While the digital marketplace has given visibility and access to various opportunities, the process is still complex for SMEs."

The top three barriers identified by the survey are:

- 1** A risk-averse culture within the Civil Service
- 2** Too many frameworks
- 3** Lack of meaningful early industry engagement

Despite explicitly extolling the virtues of SMEs, the public sector still struggles to harness them, and this starts with the culture. Moreover, unlike larger organisations, SMEs do not have dedicated framework teams for applying to frameworks.

"Break away from the big-knows-best ideology."

SMEs also feel that there is not enough early industry engagement, meaning that opportunities are often missed. And it seems some concerns are on the rise, with 75% of respondents telling us they feel there is not enough guidance and support for SMEs around the Social Value Framework and how it applies to digital procurement.

What SMEs want to see

"Make sure people inside of government recognise that SMEs should be embraced, not pushed away."

79% of respondents would like to see increased use of Dynamic Purchasing Systems, allowing for greater flexibility. Moreover, 75% would like to see an annual price review built into contracts. Perhaps most significant is the fact that 82% of respondents would prefer to deal directly with government, rather than working through prime contractors.



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While some SMEs are very happy to partner up with larger organisations, when it comes to submitting bids, the large majority want to be able to sell directly to government.

"Selling direct removes un-necessary margin stacking from larger suppliers that add no value to the contract or tax payer."

With that said, 81% of respondents still see the value in partnering with larger organisations, but want to see more done to encourage larger organisations to work with SMEs effectively.

"Encourage larger organisations to use SMEs more."

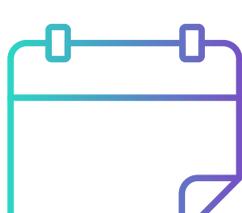
Whether an SME is selling directly to government or indirectly through a larger organisation, one thing is clear, they all want the same thing - for the process to be smooth and to deliver the right outcome.

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"This would be a huge advantage. Knowing the right people to contact with the right solution to a known problem would be beneficial all round."



techUK recognises the value in partnering with larger organisations. Each year we run Partnering and Networking events to offer technology companies large and small the opportunity to network and forge partnerships.

Recommendations

While there are some signs of improvement these are still marginal and slow, and there is a long way to go. If the government works with SMEs on understanding and harnessing their capabilities; recognises how SMEs can meet its needs and works to address the major challenges, then we do believe that access to the market for SMEs will improve.

We know this won't be an overnight fix, but we really hope the below recommendations will ensure that things continue to head in the right direction and help drive the next leap forward in access to the public sector technology market for SMEs.

We recommend:



- > More early pre-procurement market engagement
- > Wider use of the digital marketplace
- > More use of Dynamic Purchasing Systems
- > Annual price review built into contracts
- > Fewer frameworks
- > Ministerial SME Champions

Useful links