National Policy Centre for Women's Enterprise Policy Paper

Procurement: Fostering Equal Access for Women's Enterprise

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Abstract

This National Policy Centre for Women's Enterprise (NPCWE) evidence paper examines the issue of equality of access to procurement opportunities for women-owned businesses. The paper includes a review of: relevant UK policies and initiatives; levels of under-representation of women-owned business in the supply chain; and key barriers to equality of access.

Due to a lack of existing quantitative data to provide an evidence base, this paper includes consideration of qualitative research and includes detailed case studies.

The paper makes recommendations regarding how government policy might effectively support increased levels of participation for women-owned businesses in the supply chain.

Introduction

Although 16% of UK companies are owned by women, less than 3% of corporate and public sector contracts go to women-owned businesses (WOBs)[1]. This under-representation of WOBs in the supply chain is of great importance to the UK economy, because access to these lucrative contracts has a direct impact on the growth and success of WOBs, and ultimately the economic impact of women's enterprise.

The ojective of this paper is to discuss the policy topic of procurement in relation to women's enterprise and women's enterprise development and present key issues, evidence and recommendations.

More specifically, the purpose of this paper is to:

> Explore the issue of the under-representation of women-owned businesses in the corporate and public sector supply chain.

> Begin the process of examining the barriers we need to dismantle.

> Make initial recommendations for required policy, legislation and specialist support to:

  > Foster equality of access and greater participation in both public and private sector contract opportunities.

  > Thereby facilitate increased business growth and greater economic impact for women's enterprise.

Executive Summary

The Challenge

> Women-owned businesses access less than 3% of all procurement opportunities in the UK.

The Current Government Position

> Current UK procurement policy is based on equality of opportunity and non-discrimination, rather than affirmative action.

> The UK Government has started to address this issue with the launch of the supplier diversity initiative, WEConnect. As a consequence, the inclusion of WOB participation and reporting targets are being included in the remit of organisations including the Supply London procurement programme.

In the US, proportional goals for WOB participation in the public and private sector supply chain have been the most effective driver of increased representation.

Key Issues and Evidence

> WOBs face a complex set of challenges in accessing major contracts, many of them shared with SMEs and other diverse groups.

> WOBs tend to be smaller than male-led enterprises and as a result face the same challenges as SMEs in accessing major contracts.

> The main challenges for SMEs include the resourcing demands created by complex and bureaucratic procurement processes. SMEs are less likely than major corporates to be able to invest in dedicated specialist resource to manage the tender process and face a less attractive risk-reward ratio when they invest in contract bids.

> Company size and undercapitalisation limit the ability of WOBs to respond to large, national and international contract opportunities. Women-led SMEs demonstrate even lower levels of national and international capability than SMEs in general – a problem exacerbated by supply chain consolidation and an increasingly global economy which act to make large contracts larger and reduce the number of small contract opportunities.

> Company age also presents a credibility challenge with WOBs consistently found to be younger and operating newer businesses. When viewed from a procurement perspective, young WOBs appear higher risk because they lack financial track record and examples of relevant experience.

> Socio-economic factors influence WOBs' human capital (in terms of their level of experience, remuneration and seniority in their career before start-up) and social capital (in terms of their contacts, relationships and networks). The greatest barrier to contract access that is particular to WOBs as a group appears to be the lack of a powerful decision-maker network.

> The attitude of corporate and public sector organisations and their procurement functions to WOBs is critical to fostering greater WOB participation in the supply chain. While supply chain diversity is ascending the corporate social responsibility (CSR) agenda, there is a clear need for a business case to link supply chain diversity with competitive advantage. Without this business case there is a risk that levels of WOB supply chain participation will actually fall as a result of cost cutting imperatives in response to global recession (which present the dual challenge of supply chain consolidation and reduction in supplier diversity programmes).

Recommendations

The Glover Review and other studies have provided key recommendations to reduce the barriers SMEs face in participating in the public sector supply chain. Recommendations focus on the challenges particular to WOBs in accessing corporate and public sector contract opportunities.

It is suggested that the following approach should be consistent across all diverse business types and, where possible, implemented at an EU level:

> Deliver cross-departmental agreement on the definition of a certified WOB (a women's business enterprise or WBE) and establish a regulatory framework to oblige appropriate public sector stakeholders to capture and report gender disaggregated data on levels of WBE entrepreneurial activity.

> Create a robust evidence base and data collection methodology to benchmark and track the progress of WBE participation in the supply chain.

> Expand WEConnect's certification scheme to create a single accreditation to standardise the PQQ process and provide buyers with access to a WBE supplier database.

> Set proportional goals and reporting standards for WBE supply chain participation by volume and by value.

  > Consider mandatory goals for public sector organisations, including Key Performance Indicators (KPIs) in prime contractor agreements and minimum representation levels in framework agreements and preferred supplier lists.

  > Launch a private sector consultation to build stakeholder support and establish the most effective method to embed goals.

> Provide women-friendly business support with a focus on helping WBEs to expand their network, including a more intensive high potential programme for WBEs capable of becoming strategic suppliers at a national / international level.

Support the above with a communications campaign to make the business case for increasing WBE participation in the supply chain.

CASE STUDY

Elaine Owen
Founder and Managing Director
Designated Associates

Elaine Owen founded Designated Associates 14 years ago as a private, profit making enterprise. Although still profit driven, the company also now provides pro-bono support services for other women-owned businesses.

Designated Associates' three divisions – a design and marketing agency, training centre and IT service – work with other businesses to improve their bottom line through management development and technology services. The company has a turnover of £275,000 plus (forecasting £375,000 this financial year) and employs the equivalent of 10 full-time staff.

Barriers to Public Sector Contracts

Worryingly, Elaine says that winning public sector contracts has become harder for her business over the past 10 years. The move to central procurement has had the unintended consequence of limiting tender opportunities for female-owned businesses, says Elaine. When her business first started up 14 years ago, Elaine was working on public sector contracts worth £75,000 - £100,000 per year. "We are now working on dribs and drabs," she says. "Women win business through developing relationships, but central procurement is faceless and all about ticking the right boxes. We now mainly work on contracts under £5k, because they fall under the central procurement radar."

Public sector tendering is also a lengthy process that requires a small business to invest a disproportionate amount of resource in relation to its size – which often bears no relation to the size of the contract opportunity. Small women-owned businesses cannot always afford these resources, putting them at an immediate disadvantage to large organisations with the structure and specialist resource to cope with such heavy time demands, says Elaine.

There are also prohibitive costs to fulfilling public sector qualification requirements, as Elaine explains: “A large proportion of women-owned businesses deal in services, support and advice and therefore have relatively small turnovers. This can prevent us ticking the box when it comes to qualifying for public sector tenders, but it also means our insurance and professional indemnity costs are astronomical. Small businesses have to be covered for the same level of insurance as any blue chip company.”

Breaking Down the Barriers
Elaine has been dreaming of a world with no barriers for many years and her head is full of practical ideas about how government initiatives can help address the procurement issues outlined above.

She suggests a four-pronged, integrated approach that would require the formation of an umbrella support organisation, or the extension of WEConnect’s services further into public sector procurement:

1) Accreditation
To overcome the resource barrier that prevents many small businesses bidding for public sector tenders, there needs to be an umbrella organisation that can provide accreditation to women-owned businesses with appropriate qualifications and expertise, says Elaine. The organisation would also create one standard pre - qualification questionnaire (PQQ) for small businesses that would be accepted by all government bodies and local authorities. “The PQQ that we are currently working on is 50 pages long and has already taken us a full two days,” says Elaine. “If a small business only need fill in one national PQQ, which could be updated every year that would cut out one of the major barriers to public sector procurement immediately.”

2) Support
“The government has made £25m available to help women in business, but the minimum amount that can be invested is £100,000 – who is going to put that type of money into a business with a turnover of £250,000?” asks Elaine. Instead, she suggests that money be kept as a guarantee to local authorities choosing to work with the accredited female members of the accrediting umbrella organisation. It could also be used to top-up the level of insurance cover for this group of female-owned business to enable them to work with the public sector, she says.

3) Network
A national network for female businesses would help drive change, according to Elaine. “I’m not talking about a new local network as there are plenty of good local networks. But there should be a place where we can network on a national scale.” An online network could be a cost-effective solution and Elaine envisages a portal where OJEU meets Facebook: “We need a place for our businesses to have a profile. Other female-owned businesses can use this to find collaborative partnerships, or even find a mentor, which is a hugely important way to develop your own business.” On the public sector side, Elaine suggests that the online network could be used by public sector procurement officials, who often do not know where to look for female-owned business to meet their diversity targets, says Elaine.

4) Rating system
The size of many women-owned businesses takes them out of the running for many public sector tenders as they cannot ‘tick the right box’ in the PQQ. To overcome this barrier and take away an element of risk for government bodies and local authorities, Elaine proposes that an eBay style rating system be employed, and integrated into the online profile. “I work in technology and know that an electronic rating system would be an effective way to show the public sector that they can work with women-owned business,” says Elaine. “Traders on eBay are given a rating by their buyers that show others how trust-worthy and efficient they are. Why not create a similar system where local authorities can rate a small business after working with them?”

CASE STUDY

Louisa Moger
Marketing Director
Richard Edward

Louisa Moger and her mother run Richard Edward, a successful print specialist with a turnover of £5m and 47 employees. The family company was established 30 years ago and now specialises in print solutions and bespoke card-based products for use in games, toys, promotions, playing cards and education.

About five years ago, Louisa and her mother took the strategic decision to focus on public sector procurement.

Barriers to Public Sector Contracts
The decision to focus on public sector tenders was made to move the company into a less competitive sector of the over-serviced and commoditised UK printing industry.

Due to the complexity of public sector procurement, Louisa says significant investment was necessary to break down the two major barriers: creating a company that is 'fit to supply' and overcoming the enormous time burden of the tendering process. Louisa points out: "The barriers we faced with procurement in the public sector were not necessarily related to us being women-owned, but more to do with the limitations of our size as a small business."

Louisa employed a dedicated project manager to help the company overcome these barriers. An initial gap analysis was carried out to identify all the qualifications, accreditations and business processes required for a positive tender rating. "It was a big investment for us to take the public procurement path and the past five years have been spent developing and improving the company's tendering process," says Louisa. "It is not easy even after all the work we have done because tendering is still a huge undertaking - with no guarantee of work at the end of the process."

However, the company's investment in the specialist support that was required to deliver public sector tenders is now paying off, with recent procurement successes including contracts with The Learning Trust, The Royal Borough of Kingston-upon-Thames and Bath University.

Breaking down the Barriers
Government initiatives have already gone some way to addressing the barriers faced by SMEs in public sector procurement by providing valuable business support, says Louisa. Richard Edward took full advantage of the free advice available through government bodies such as Supply London, East London Business Place and CompeteFor. However, there are a multitude of different business support groups, often offering the same type of service and small businesses may find it easier to access business support if the Government simplified and centralised the offer, says Louisa.

Government has also helped the printing industry by creating a pre-audited list of approved printers, says Louisa. The Office of Government Commerce designed the list to reduce the public body average spend of £75,000 per tender. "The approved list of printers is an excellent resource for the industry," says Louisa. "But more needs to be done to promote the tool as many buyers in the public sector are unaware of its existence. Many still waste time and money going through the full tender process."

CASE STUDY

Jennifer Harris
Managing Director
JRBH Strategy & Management

JRBH is a strategic management consultancy with a creative, entrepreneurial twist. The company was established in 2002 and now has seven full-time and four part-time employees. Founder and Managing Director, Jennifer Harris, is a Cambridge graduate who won The Times' Young Business Woman of the Year in 2005 and was named in Management Today's top '35 women under 35' in 2006. Despite significant business success at an early age, Jennifer has encountered barriers to growing her business specific to her gender.

Barriers to Private Sector Contracts
The traditional male-dominated City network was not immediately open for a young female entrepreneur, so Jennifer developed her own way of winning new business. She believes her success is the result of determination coupled with her ability to build a team who can create genuinely original strategies for large corporations.

As a small strategic consultancy with a low profile in comparison to global competitors, networking is integral to the process of winning new business. Despite her hard-won success, Jennifer says that her gender presented a challenge when she was trying to break into the City. Maintaining relationships is also a far greater challenge for female entrepreneurs than their male counterparts, and one that would be particularly difficult for women with children due to out-of-hours time demands, she says.

Jennifer believes that women consultants start one step behind their male counterparts in terms of credibility simply as a result of their gender. "As someone who is both young and female, I don't conform to the stereotype of a middle-aged male consultant. I have found that women are 'guilty until proven innocent'," says Jennifer. "When I walk into a meeting, I need to work hard to overcome presumed incompetence, whereas the executive who looks the part, which a man is more likely to, is assumed to be competent from the word go". Fortunately, she says, this assumption of incompetence "makes us try harder and that's probably why we win the business that we do."

Barriers to Public Sector Contracts
Jennifer rarely bids for public sector contracts. Her opinion of doing business with the public sector was initially formed during the procurement process of an academic organisation shortly after Jennifer had set up the business, when she faced an aggressive and hostile panel of 10 male buyers. "I am used to knock-backs in the City – it is part and parcel of any business, but this felt like a personal attack," says Jennifer. "I was never going to get that contract and of course it's easy to say that it was because of my age and gender, but the panel members were outrageously patronising and dismissive."

JRBH is not well known and it is rare for the company to be invited to competitive pitches. Instead, JRBH identifies opportunities for potential clients and 'originates' the brief by approaching decision-makers directly and presenting a concept that the client had not considered. Jennifer's assumption is that public sector procurement (putting projects out to tender, or first being selected to a framework) would not be amenable to this type of approach.

As a result of her experiences, Jennifer has focused on private sector opportunities (public sector work accounts for only 15% of her turnover).

Breaking Down the Barriers
Any move to break down the barriers for female entrepreneurs must avoid positioning women as 'victims', says Jennifer, who fears initiatives such as positive selection policies could risk damaging the hard-won credibility of female-owned businesses. Instead, she believes that the creation of a powerful network of women-owned businesses could provide valuable business development and mentoring opportunities: "I'm a big fan of women helping women."

Jennifer also proposes that government funding be made available to promote large corporations and their female-owned business partners and encourage women to "blow their own trumpet" – a skill that she believes men are traditionally more adept at.

Appendices

Appendix I: Abbreviations

WOB: Woman-owned business.

WBE: Women's business enterprise - WOB which has been certified as 51% owned, controlled and managed by women (certification provided by WBENC in the US and WEConnect in the UK).

BME: Black and minority ethnic

BMEO: Black and minority ethnic-owned business – also referred to as ethnic minority businesses (EMBs).

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The National Policy Centre for Women's Enterprise (NPCWE) provides a central knowledge base for research and data related to women's enterprise. The NPCWE, funded by BERR works at national, international and regional levels, collaborating with strategic partners to facilitate best practice and knowledge-sharing to create a long term increase in the number of sustainable women-led businesses.

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