



# **THE ROAD TO INCLUSIVE PROCUREMENT**

# The Road to Inclusive Procurement: Promoting Supplier Diversity through Cross-Sector Engagement

## INTRODUCTION

This report has been commissioned by MSDUK to explore the integration of ethnic minority<sup>1</sup> owned businesses<sup>2</sup> into the supply chains of government departments and their suppliers. MSDUK is the UK's leading non-profit membership organisation driving inclusive procurement. The organisation works to promote the ethos of diversity and inclusion in public and private sector supply chains by identifying and introducing innovative and entrepreneurial ethnic minority-owned businesses (EMBs) to corporate and government buyers.

Recent legislation has created an environment that is more favourable than ever before to creating supply chains that are inclusive of a diverse range of suppliers, but there remain implementation challenges for government, ethnic minority-owned businesses and government suppliers. This report will examine the current environment and explore these challenges, though also the substantial opportunities for ethnic minority-owned small and medium enterprises to have a positive impact on socio-economic growth through greater integration into public procurement.

This report was developed following consultation with industry experts, interviews with stakeholders and secondary research, including policy research and evaluations, industry publications and related briefings.

## THE POLICY ENVIRONMENT

The participation rates of small and medium enterprises (SMEs) in public procurement in the UK are among the worst in Europe. However, awareness of the need and subsequent benefits of more inclusive and representative procurement within government departments and large businesses is becoming more pronounced. As a result the policy environment in the UK has become ever more conducive to creating diverse supply chains. This report will look at three key policies in detail in respect to their impact on inclusive procurement: primarily the SME Agenda (2011), but also the Equality Act 2010 and the Public Services (Social Value) Act 2012. They respectively mandate the inclusion of SMEs, diverse groups including ethnic minorities, and the consideration of social value, in public procurement processes.

*Table 1: Summary of SME Agenda, Equality Act and Social Value Act*

### SME Agenda

Set up by the Coalition government in 2011 with the aspiration to spend 25% of central government procurement budget, directly or indirectly, with SMEs<sup>3</sup> by 2015

### Equality Act

The first unified equality legislation in Britain based on nine protected characteristics, including race,<sup>4</sup> also puts a new Equality Duty on public bodies to use public procurement to improve equality<sup>5</sup>

### Social Value Act

Requires public sector agencies to consider social and environmental benefits when commissioning a public service

While the enactment of these three policies is a key step in the promotion of inclusive procurement, their implementation has thus far had limited impact and reach. As this research will show, integrating EMBs, of which the majority are SMEs, into the public procurement process is important when considering both the individual and collective business and social value.

The SME agenda came out in part as recognition of the role small businesses play in promoting growth in areas where government has been less successful in having an impact - creating business, jobs and community growth across the country. In 2008, research commissioned by the European Union showed that in the UK, SMEs' contract value in public procurement lags behind their turnover in the wider economy by 25%.<sup>6</sup> Large contract value is often a barrier in public procurement for SMEs, with SMEs having only limited access to contracts above €5 million<sup>7</sup>, while the average contract value for the UK public sector is €55 million, the second highest in the European Union.<sup>8</sup>

## ETHNIC MINORITY-OWNED BUSINESSES

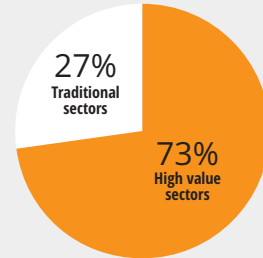
EMBs are estimated to comprise between 6-9% of this larger SME marketplace, bringing in £25-32 billion per year in revenue.<sup>9</sup> With ethnic minorities currently making up 14% of the British population<sup>10</sup> – a percentage that is expected to double in the next 25 years – and survey after survey<sup>11</sup> showing a greater propensity amongst non-white minorities for self-employment, the number of ethnic minority-owned SMEs will continue to grow in the coming years and become increasingly important to socio-economic growth in Britain.

While these businesses have previously been predominantly in traditional industries with limited or localised growth, there has been increasing entry by EMBs into high-value sectors such as IT, pharmaceuticals and finance, resulting in high-growth businesses emerging from this group. Across MSDUK's 320 EMB members, the total annual turnover is £789 million and the network as a whole employs nearly 13,000 people.

MSDUK's 2012 impact report found that their EMB members were more likely than other SMEs to be located in an area of Britain which has above average unemployment, poverty and low educational attainment. 71% of MSDUK's EMBs are located in areas of higher than average unemployment<sup>12</sup> while 63% operate in areas with more than 7.3% of pupils getting fewer than 5 GCSEs.<sup>13</sup> Thus, there is an important role for these enterprises to play in both providing employment and services to underserved communities, as well as raising aspirations across the board.

It is crucial that support for enterprises operating in more deprived areas goes the extra mile to ensure it is being accessed by those who need it. And while there still remains a strong correlation between areas of high economic deprivation and the proportion of the local population from black, Asian and minority ethnic (BAME) backgrounds, ensuring EMBs are engaged from the outset is critical.

MSDUK EMB members



MSDUK EMB members' locations



EMBs are estimated to comprise between **6-9%** of this larger SME marketplace, bringing in **£25-32 billion per year in revenue**. With ethnic minorities currently making up 14% of the British population – a percentage that is expected to **double in the next 25 years**.

Across MSDUK's 320 EMB members, the total annual turnover is £789 million and the network as a whole employs nearly 13,000 people.

## The Road to Inclusive Procurement: Promoting Supplier Diversity through Cross-Sector Engagement

In those communities with higher than average rates of unemployment, lower business start-up rates, and high deprivation levels, it has been found that the presence of BAME entrepreneurs as role models can have a real impact on the confidence and aspiration rates of the young people from the community,<sup>14</sup> helping to create the next generation of budding business owners and innovators. Of the MSDUK EMBs surveyed in 2014 over 60% offer some kind of work placement, apprenticeships or internships and over 80% mentored other entrepreneurs in some capacity. The survey also found that 78% of MSDUK EMBs volunteered in their local community, compared to the national average of 40%.<sup>15</sup>

### CHALLENGES & OPPORTUNITIES

The problems faced by ethnic minority-owned SMEs are often not distinct from those faced by other SMEs, neither are EMBs in any way a homogenous group. However, there is a need for government and big business to recognise the make-up of the markets from which they are sourcing from and selling to, and ensure that their procurement is representative of the wider society in which they operate. To a large extent efforts to ensure this have failed due to a number of factors perpetrated by government, EMBs themselves, and government suppliers.

### GOVERNMENT

Since the abolition of the UK Small Business Service in 2007, the SME Agenda has been a crucial step in renewing the government's commitment to SMEs. According to the Cabinet Office,<sup>16</sup> the government has increased its direct spend with SMEs from 6.5% in 2009/10 to 10.5% in 2012/13. These seemingly encouraging figures are dwarfed once compared to the United States, where the public direct spend with SMEs is estimated to be around 23%.<sup>17</sup> Based on research findings, three key limitations on the part of the government have been identified.

#### **Administrative Burden**

While there are certain requirements that government departments must adhere to in their procurement processes, the often onerous workload to meet these requirements can be overwhelming to a small business. Acknowledging the efforts that have gone into reducing some of these burdens, such as the removal of pre-qualification questionnaires (PQQ) by some departments, there is still a need for the process to be further simplified if the SME agenda is to succeed.<sup>18</sup> Feedback from MSDUK members has highlighted the length of briefs, the style of writing - often as a result of being drawn up by lawyers - and the expected internal policy requirements of government contracts as being particular stumbling blocks. This has the effect of intimidating SMEs into not submitting a response or rendering the submission of one a major undertaking that will cost the business a significant upfront pay out, cutting into potential profit margins.

While efforts have also been made to reduce the timeframes involved in bidding for government contracts and subsequent payment, there is a need to recognise that the challenges that face SMEs are very different to those that a larger business would typically face. Planning staff time and cash flow when a large contract is won is a large undertaking for a small organisation, and will result in a substantial amount of administration.

### CASE STUDY GERMANY

**Germany is often cited as the EU leader in inclusive procurement for SMEs.**

**Two success factors are:**

- 1) High-level policymakers' attention on SMEs: Of the three State Secretaries at the federal level, one is responsible for small business policy (*Adonis, 2014, p.5*)
- 2) Lower average contract size: in EU Member States where public procurement is largely decentralised to regions and municipalities (as in Germany), tenders tend to be smaller which are more accessible for SMEs (*ICF International, 2010, p.9*)

### **Lack of Clarity and Transparency**

The government does not appear to capture disaggregated data on the results of the recent push towards expanding SMEs in public procurement, resulting in difficulties in assessing the impact of each of the three pieces of legislation. The measure adopted in the SME Agenda combines direct and indirect spend together, meaning the different stakeholder groups' progress is difficult to measure. In his recent review of the UK's approach to encouraging small business growth, Lord Adonis criticises that the indirect spend measure lacks clarity as it is based on a sample survey of 120 prime contractors.<sup>19</sup> As Paul King, Global Supplier Diversity Manager at IBM, rightly says, "if the government is not capturing the SME spend on diversity, one cannot expect the suppliers to do it."

The Contracts Finder website,<sup>20</sup> which the government champions as the platform to increase the visibility of opportunities, neither collects nor displays data on diversity. Apart from search keywords, the results can only be filtered by location, and not by any of the nine protected characteristics under the Equality Act 2010. One toolkit launched by the government for employers in relation to the Equality Act 2010, is the 'Know Yourself Unconscious Bias Tool', which gives generic advice on how businesses can be compliant with the Equality Act.<sup>21</sup> Another initiative is the guide to available datasets published by the Ethnic Minority Stakeholder Engagement Group.<sup>22</sup> However, there is no ethnic minority data available relating to SMEs.

The Social Value Act has faced criticism for not providing the structure necessary for procurement bodies to be able to successfully implement it. There are currently only a few guidelines on how to measure social value.<sup>23</sup> Without sample metrics set by the government, companies are left on their own to demonstrate social value, and often SMEs do not have the capacity to do so.

Data clarity and transparency is needed to allow commissioners, both in the public and corporate sectors, to make informed decisions.

### **CASE STUDY UNITED STATES**

**The policy in the US has been successful in creating an environment conducive to inclusive procurement for EMBs, and SMEs more generally. Octavian, a MSDUK member, cites that the strong supplier diversity agenda in the US has benefited their company much more than that in the UK. Three key policies are:**

- 1) Clear diversity breakdown of the supply chain: The US government has mandated the diversity breakdown of SMEs by various protected characteristics, including race and gender (Paul King, IBM)*
- 2) High-level policy-makers' attention: Head of the US Small Business Administration reports to the President (Adonis, 2014, p.5)*
- 3) Focus on driving direct spend, not indirect spend: 23% direct spend in public procurement is mandatory (Adonis, 2014, p.5)*

### **Minimal Synergies in Implementation**

On the national level, while the three policies have key areas of overlap, synergies have not been created across them as they are managed and monitored by different departments and MPs. The SME Agenda and the Social Value Act are both under the Cabinet Office, but there is no sign of them working with each other. For example, in the evaluation report of the SME Agenda there is no mention of social value at all.<sup>24</sup> The Equality Act is administered by the Government Equalities Office, part of the Department for Culture, Media and Sport. This fragmented implementation inhibits the potential for creating further positive impact for those the legislation is trying to support.

On the EU level, UK SMEs perform less well in EU government procurement than other EU countries, particularly France and Germany.<sup>25</sup> This is echoed by one of MSDUK's members, Texane Ltd, who have faced challenges in attempting to supply products in other EU countries, especially France. The agenda of EMBs faces obstacles when discussed on the EU level as there is no common definition of 'ethnic minorities'. The UK is unique in the EU in classifying individuals on the basis of 'self-identification'.<sup>26</sup> As Paul King from IBM argues, a common definition of 'ethnic minorities' is the prerequisite for any EU-wide support and legislation on EMBs.

## The Road to Inclusive Procurement: Promoting Supplier Diversity through Cross-Sector Engagement

### ETHNIC MINORITY-OWNED BUSINESSES

Despite the government's recent push on promoting more procurement from SMEs there remain a number of barriers that these enterprises face in accessing government supply chains, many of which become more acute for EMBs due to other issues around finance, access to markets and management structure and qualifications that these businesses can encounter.

#### *Accessing the Support Available*

A 2013 study by the Federation of Small Business found that there were 891 different support schemes available for their constituents,<sup>27</sup> yet as a result of duplication and the constant changing in government policy, the uptake and awareness of these support functions was very low. The BDRC Finance Monitor included analysis on ethnic minority-owned SMEs for the first time in 2013 and in their initial releases they found that awareness of nine government initiatives to support SMEs was generally lower among ethnic minority-owned SMEs, with the average at below 50%.<sup>28</sup> This was particularly acute when referring to the non-financial support available, such as mentoring and appeals processes.<sup>29</sup> SMEs and EMBs are either unaware of or not engaging with current government support schemes, rendering them obsolete and wasteful of public funds.

Despite EMBs being specifically highlighted by the Coalition government<sup>30</sup> as a group of businesses who are important to champion, the functions that could have resulted in this have seen significant cuts, resulting in a lack of face-to-face business support functions that ethnic minority-owned SMEs can access. While, as previously mentioned, the problems faced by ethnic minority-owned SMEs are typically not distinct from those of other SMEs, there is a need for greater awareness of some of the additional barriers that may lead to EMBs not drawing on support in these areas, such as cultural and linguistic barriers.<sup>31</sup>

The EMBAN Legacy Report found that although there are a number of non-governmental support organisations dedicated to helping EMBs in different areas of their business, this was often fragmented, minimising the opportunities for EMBs to received joined up, complementary support.<sup>32</sup>

Government and support organisations need to work together to provide appropriate advice, guidance and opportunities to ensure the inclusive procurement agenda is progressed. This will be discussed further in the recommendations.

Official evaluation of the Equality Act further sheds light on the low engagement of EMBs with the policy, even though they should be the ones being empowered by it. While there are no statistics on awareness of EMBs as a subset, survey findings show most SMEs report no change in awareness of workplace equality issues over the previous two years within their organisation, while three-quarters of large organisations report an increase in awareness.<sup>33</sup> Moreover, SMEs do not actively seek support on the policy, as 69% of the micro enterprises (2-9 people) did not seek information about the Equality Act, compared to only 20% of the large enterprises (more than 250 people) which did not.

The decision as to whether to engage in policies that are designed to support specific groups is a personal one for every business. However, as the UK becomes increasingly diverse, participation in decisions that affect wider society need to be representative. Where social groups feel let down, misunderstood or misrepresented by a policy, it is crucial that these misgivings are shared with those in power, whether through local MPs, support organisations, or advocacy bodies.

---

## BUSINESS SUPPLYING GOVERNMENT

The SME agenda seeks to encourage new government procurement requirements into the chains of key suppliers in order to embed a culture of inclusive procurement into the private sector as well. As Nick Clegg recently stated at the Scarman Lecture, "We see the limits of what the state can achieve [in achieving equality]... so we need business to open its doors too."<sup>34</sup>

### CASE STUDY BALFOUR BEATTY

One of the biggest challenges in this area is the acute administrative burden during the procurement processes. According to Texane Ltd, a MSDUK member, SMEs lack the capacity to comply with the policy requirements of large corporations and governments. Balfour Beatty, in line with its commitment to engage SMEs in its supply chain, helps SMEs overcome this administrative barrier by openly sharing its policies and procedures with SMEs to use as their own. They have also proactively reduced their contract sizes to make them more accessible to SMEs. The access to support is available for all SMEs free of charge and Balfour Beatty's engagement with SMEs is endorsed not only by its clients, but also the government, including the Prime Minister and the Cabinet Office.

Thus far government efforts to influence corporate spend have been limited, in part due to the complexity of supply chains in some areas, including the MOD and DWP,<sup>35</sup> and in part due to the disparity between the size of contracts available and the ability of SMEs to deliver these. Government legislation has been successful in some cases with encouraging adaptation in their key suppliers - for example Merck.<sup>36</sup> However there are still significant barriers to uptake of inclusive practices in the larger marketplace. Many of these barriers are similar to those within government, such as excessive administration. Due to the absence of clear guidelines and communication around inclusive procurement, there still remains some lack of understanding in the private sector on what this means and particularly how to measure supplier diversity. Supplier diversity should be defined as ownership and should not take into consideration employees, which falls under workforce diversity.

#### **Buyer Perceptions**

The perception of unequal treatment has continued to pervade in many environments resulting in a reluctance to tender for large contracts. <sup>37</sup> This may be on the grounds of size discrimination with assumptions that SMEs are not capable of delivering large contracts pervading. MSDUK's 2012 impact assessment found that 36% of corporate members expected EMBs to be slightly behind the standards of their existing suppliers in their ability to deliver large contracts and in the industries that are represented. The perceptions of 80% of these organisations had been changed – and improved – by interaction with MSDUK EMBs.

There needs to be an increased focus on educating procurement teams, along with other key staff, about the opportunities for procuring from a more diverse pool and put in place mechanisms to encourage more suppliers to tender for contracts. requirements, lack of data collection on procurement spend and separate, non-integrated policies on diversity.

## The Road to Inclusive Procurement: Promoting Supplier Diversity through Cross-Sector Engagement

### ***Failure to See the Business Case***

As a result of the lack of clarity emerging from government on their commitment and expectations regarding these three agendas, there has been minimal response from the wider business community. Engagement with diverse suppliers within large businesses often falls under the umbrella of CSR policy or as a small part of the procurement teams' agenda.

There are some forward-thinking businesses that – often as a result of their close links with the US where the dialogue on engagement with SMEs and EMBs is much more advanced – have made significant investments into ensuring their supply chain is as inclusive as possible. Organisations' such as IBM and Accenture will typically have internal, integrated policies, dedicated staff with clear targets and reporting structures, and development programmes allowing them to support their diverse suppliers in anything from how to respond to their tenders to how to build a communications strategy. This is done as an investment into their future growth as a commercial venture, yet only 10% of MSDUK corporate members have UK supplier diversity policies.

That said, there is increasing recognition – often due to trade with US entities – that this is the way the UK Government is heading, resulting in some corporations "future proofing" their supply chains to be more agile and responsive when additional government requirements and legislation come in.

The added social value of procuring from businesses that have a greater social impact, create jobs in the area in which a business is based, and encourage community regeneration – along with reaching out to a different demographic of future customers and talent - make the business case for engaging with a diverse pool of suppliers evident.

*"Our Supplier Inclusion and Diversity Programme generates broader supply choice, including complementary skill sets, access to the most innovative, responsive and cost-competitive supply solutions for our clients and stakeholders. By breaking down barriers so that small, medium and diverse companies can better participate in the marketplace, we create a multiplier effect that adds more jobs, more revenue and more vitality in communities across countries."*

*Accenture Corporate Citizenship Report 2012-13*



---

## RECOMMENDATIONS

A truly inclusive supply chain would mean that all echelons of society are represented in the economy, growth is more evenly spread nationally, and different social groups are integrated into public and economic life, giving all people a stake in the future of the country. While there have been vast inroads towards achieving this vision in recent years, there is still a long way to go, with work to be done by all stakeholders to achieve inclusive and representative supply chains in the UK.

### RECOMMENDATIONS TO GOVERNMENT

Initiatives from the UK government, on both the national and EU level, are crucial in propelling changes in supplier diversity. Despite the limitations of the three policies discussed in the report, it is clear that they have spearheaded the inclusion of SMEs, ethnic minorities, and the consideration of social value in the public procurement process.

On a national level, there are four key recommendations. Firstly, as there are clear areas of synergies across the three policies discussed in this report, the government should **connect the SME agenda, Equalities Act and the Social Value Act in implementation**. The case of the US shows the impact of having government and business support pushing for both the engagement of minorities as well as SMEs in public procurement. Dialogue regarding these three pieces of legislation and the opportunities for coordination needs to be happening on a government level, whether through a select working group or panel or through responsibility for it being placed within one of the policy management divisions.

Secondly, while the government has pledged support for SMEs, **awareness of support among SMEs** themselves is low. There needs to be more coordination between SMEs, support organisations and Government to understand the needs and required responses to make Government legislation as successful as possible. From discussions with those who have submitted tenders to government departments - and understanding the need for a certain level of government regulation - it appears that **more targeted support in going through the procurement and supplying processes** would benefit those involved. This would have the impact of making the burden on SMEs significantly smaller, result in higher quality bids to procurement teams and therefore make the 25% target a more achievable target.

Thirdly, in order for government legislation and support to be as effective as possible, as well as for supply chains to be truly representative of the marketplace, the government needs to understand the enterprises within the marketplace. While there is no national data on the make-up of British businesses, all legislation and support will be, to a certain extent, moving forward blindly. **Collecting information on the ownership, among other areas, of British enterprises** will allow politicians to be more reactive to the needs of business and make informed decisions. The US Economic Census implemented every five years has been very successful in collecting the kind of information required to allow government to create a fertile environment for inclusive procurement.

Fourthly, there is a **need for champions in the government to clarify the expectations of the corporate sector in policy-making**. Lorely Burt, the MP recently appointed 'Women in Enterprise' champion, is a useful example of a role promoting diversity in business.<sup>38</sup> With the General Election of 2015 in sight, it is now an important time for champions to take up the cause of diversity in business.

On the EU level, **the UK government should seize the opportunities around EU legislation on SMEs and social value, to promote a harmonised definition of 'ethnic minorities'**.

In September 2014, the European Commission launched a public consultation to gather feed-back and ideas on how the Small Business Act for Europe, which was adopted in 2008 and updated in 2011, should be revised to continue a strong European policy to support SMEs and entrepreneurs moving forward.<sup>39</sup> This is good timing for the UK government to share best practices with other EU countries and ensure a level-playing field for UK SMEs to compete in the Single Market.

## The Road to Inclusive Procurement:

# Promoting Supplier Diversity through Cross-Sector Engagement

### RECOMMENDATIONS TO ETHNIC MINORITY-OWNED BUSINESSES

One of the areas which came up during interviews with ethnic minority-owned SMEs for this report was the value of peer advice on responding and supplying to government. The experiences of other firms of similar size and capacity on how they approached the processes entailed was critical in the absence of budget to hire professional advisory services. Where possible, SMEs and EMBs should **utilise support networks to learn about procurement**, whether informally through acquaintances or through managed events and formal support structures.

More generally there needs to be more dialogue about flexible approaches to contracting, such as **joint bidding through partnerships and consortiums**, with SMEs being more proactive in establishing ways of fitting into supply chains. Where an organisation can supply part of a brief, there needs to be an opportunity to seek out a complementary organisation to partner with to supply other areas and present a joint pitch. This can take a number of different guises, from staff or individuals being seconded in for the lifetime of the contract to deliver a certain skill set to one enterprise being the lead partner and distributing work to others through sub-contracting.

In addition, **EMBs should proactively articulate their social value in the procurement process**. As MSDUK's 2012 Impact Report shows, ethnic minority-owned SMEs create more social value than other SMEs. Given the strength and momentum of the social sector in the UK, EMBs are well-placed to harness this opportunity and increase their competitiveness in the procurement process. Although there are indeed limitations around the implementation of the Social Value Act, EMBs can make use of the few government-backed initiatives to measure social value. For example, Trading For Good is a government-backed non-profit organisation that allows SMEs to showcase their impact on a digital platform.<sup>40</sup>

### RECOMMENDATIONS TO BUSINESSES SUPPLYING TO GOVERNMENT

As government moves towards more inclusive supply chains and consumers become more aware of these practices, inclusive policies will become increasingly important for businesses in their daily operations. It is important that businesses of all sizes look at their supply chains in greater detail, **collect data on whom they working and educate their procurement teams on the benefits of inclusive procurement. The distinction between supplier diversity and workforce diversity also needs to be clearly articulated** to ensure policies and targets are tracking the appropriate metrics.

Engaging with a greater pool of suppliers should not be seen as simply responding to requirements however. It can be seen as an opportunity to source from SMEs and EMBs working in new and innovative ways. Businesses need to invest in developing relationships with alternative enterprises, whether this is through a diversity network or an internally-run development programme for their suppliers. Where possible follow the example of businesses such as Balfour Beatty in breaking down contract packages to allow SMEs the opportunity to successfully supply the entirety of a contract.

Businesses need to invest in developing relationships with alternative enterprises

## RECOMMENDATIONS TO MSDUK

In order to help EMBs navigate the changed policy environment and capitalise on existing opportunities, MSDUK needs to **increase its engagement with the government**. A gateway to increasing MSDUK's expertise with the public sector is to tap into the resources of its members. In addition to the critical importance of peer-to-peer learning, MSDUK can learn from the experiences of its members in public procurement processes and share this knowledge on a larger scale, both with EMBs and corporate members, but also with policy-makers. Two of the MSDUK's members interviewed for this report, Texane Ltd and Octavian, have successfully secured various government contracts. Under a changed policy environment which is increasingly favourable to EMBs, **MSDUK should make better use of its members' insights**.

It is unrealistic to expect that SMEs can meet the requirements of all contracts for government departments and large businesses when these organisations are seeking value for money and ease of management, as well as often a single delivery partner. Where there is an opportunity for SMEs to be further down the supply chain in contract delivery this should be utilised and strengthened to ensure they do not lose out to larger organisations. It is therefore necessary to create an environment conducive to the development of consortiums of SMEs to pitch for large contracts and for larger suppliers to sub-contract individual sections of the contract to smaller organisations. Here there is a role for support organisations like **MSDUK to act both as convenors of these consortiums and sub-contractors and providers of contract support functions such as project management and administration**. Only 20% of MSDUK EMBs have previously pitched for work with another member.

There is also a need for **more connection between diversity representation organisations** in order to further ease procurement and allow procurement teams to tap into wider networks of diverse suppliers. This will allow for a more coherent and integrated agenda around diversity in business, similar to what the Equality Act aims to do. This could also be done on a continental basis in promoting the inclusive procurement agenda on the EU stage through connecting with diversity organisations in the EU, like We Connect Europe and Supplier Diversity Europe.

### REFERENCE

<sup>1</sup> Defined by MSDUK as individuals whose ethnic origin is Asian, Black, Chinese or Mixed Heritage provided that such individuals are British Nationals and/or who permanently reside (with indefinite leave to remain status) in the United Kingdom.

<sup>2</sup> Defined by MSDUK as a business that is at least 51% owned by such individuals or, in the case of a publicly owned business, at least 51% of the stock is owned by one or more such individuals. Further, that Ethnic Minority individuals control the management and daily business operations.

<sup>3</sup> Defined by the EU Commission as a business with not more than 250 employees and an annual turnover not exceeding €50 million.

<sup>4</sup> Other protected characteristics – age, gender reassignment, pregnancy and maternity, disability, marriage and civil partnership, sex, religion or belief and sexual orientation.

<sup>5</sup> Supplier Diversity Europe (2010), Handbook on Supplier Diversity in Europe, p.69.

<sup>6</sup> ICF International (2010), Evaluation of SMEs' access to public procurement markets in the EU, p.27

<sup>7</sup> Ibid., p.32

<sup>8</sup> Ibid., p.105

<sup>9</sup> Ethnic Minority Business Advocacy Network (2010), EMBAN Legacy Report: A Final Report by Regeneris Consulting, p.4

<sup>10</sup> UK Census, 2011

<sup>11</sup> Ibid., p.5

<sup>12</sup> National unemployment rate in 2012 was 8% from Office for National Statistics(2012), Nomis: Official Labour Statistics

<sup>13</sup> Ibid.

<sup>14</sup> Ibid., p.9

<sup>15</sup> House of Commons Library (2011), Voluntary Sector Statistics, Social and General Statistics, p.3

<sup>16</sup> Cabinet Office (2013), Making Government business more accessible to SMEs: Two Years On, p.4

<sup>17</sup> Adonis, A. (2014), Contracts not hand-outs: the case for a UK Small Business Administration to drive growth and innovation, p.5

<sup>18</sup> Ibid., p.9

<sup>19</sup> Ibid., p.5

<sup>20</sup> <https://www.contractsfinder.businesslink.gov.uk/>

<sup>21</sup> <http://raceforopportunity.bitc.org.uk/tools-case-studies/toolkits/five-5-points-progress-toolkit-know-yourself-unconscious-bias-tool#sthash.bZgbR6ll.dpuf>

<sup>22</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/343640/data-sets.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/343640/data-sets.pdf)

<sup>23</sup> The Guardian (2014), The Social Value Act one year on – and what it means for social enterprise from <http://www.theguardian.com/social-enterprise-network/2014/jan/31/social-value-act-one-year-on-social-enterprise>

<sup>24</sup> Ibid.

<sup>25</sup> Ibid., p.5

<sup>26</sup> Ibid., p.23

<sup>27</sup> Ibid., p.7

<sup>28</sup> BDRC Continental (2014), Ethnic Minority Businesses: Initial analysis from the SME Finance Monitor Q2 2012-Q2 2013, p.10

<sup>29</sup> Ram, Trehan, Rouse, Woldesenbet, Jones (2012), Ethnic Minority Business Support in the West Midlands: Challenges and Developments, p.35

<sup>30</sup> Ibid., p.2

<sup>31</sup> Ibid., p.12

<sup>32</sup> Ibid., p.22

<sup>33</sup> Government Equalities Office (2014), Evaluation of the Implementation of the Equality Act 2010: Report 2, p.21

<sup>34</sup> Nick Clegg (2013), Scarman Lecture, p.6

<sup>35</sup> Ibid., p.4

<sup>36</sup> Merck are a large government supplier who are one of the forerunners in procuring from SMEs in line with government agenda.

<sup>37</sup> Enterprise Research Centre (2013), ERC White Paper No.3, p.20

<sup>38</sup> Lorely Burt (2014), Female Business Champion appointed to help new and growing firms, from <http://lorellyburt.org.uk/>

<sup>39</sup> European Commission (2014), A strong European policy to support SMEs and entrepreneurs 2015-2020: public consultation on the Small Business Act, p.1

<sup>40</sup> Cabinet Office (2014), Public Services (Social Value Act) 2012: One Year On, p.8

## 7 SERVICE OFFERINGS



## FACILITATING



## DRIVING INCLUSIVE PROCUREMENT™

Studio 5,  
Phoenix Square,  
3 Burton Street,  
Leicester, LE1 1TB.

diversity@msduk.org.uk  
+44 (0)116 253 2520

[www.msduk.org.uk](http://www.msduk.org.uk)

Get social [f](#) [t](#) [in](#) [G+](#) [YouTube](#)

*This report was researched and authored by The Social Investment Consultancy.*