**Standard Blockers to working with SMEs**

1. ***“There are too many small businesses to engage with, so we need to use primes”***
	1. From a recent survey, over 60% of SME defence & security revenue comes indirectly. What benefit does engaging with a generalist offer over engaging with a subject matter expert? If you had a serious health concern your GP would refer you to a specialist! Do the primes enable the customer to talk to the niche subject matter experts.
	2. There are relatively few organisations in each niche. The market works to ensure that! It is possible to use structures like “category management” to sign post expertise using MoD corporately.
	3. Industry days make a very efficient way of briefing enterprises of all sizes and with structure from (a) and (b) above enable focussed conversations.
	4. Yes, there are a lot, but many of them have formed formal and informal clusters which provide you with a front door so it isn’t as hard as you might think.
	5. Working with groups of small businesses gives you more agility and flexibility to draw on the right resource when you need it. Don’t underestimate SMEs natural ability to know who the experts are in their field and to bring those forward to you.
	6. Avoid an assumption that Primes provide higher quality service. SMEs offer greater expertise and Prime’s often only go to SMEs when they don’t think they can do things in house.
	7. The primes will not all keep a reference set of all SMEs in particular categories of knowledge – it makes more sense for that to be coordinated centrally using categories or niche areas to ensure they are engaging with the right sort of organisations.
2. ***“We can’t place a large contract with a small business”***
	1. Large businesses are not necessarily any more financially stable than small ones. Carillion! Many small businesses carry a much higher ratio of cash on their balance sheet than large companies would be permitted to by investors to handle cashflow fluctuations.
	2. It isn’t the size of the business but their ability to adequately resource and manage the contract that should be the determining award factor.
	3. Small businesses often work together to share business – by keeping their partners in business keeps them in business. Don’t underestimate the financial power of a collective of small businesses, with added flexibility.
	4. It is easier to hide incompetency in a big business than a small one.
	5. Why not? If they have long-term solid relationships (such as formal collaboration arrangements) with a supply chain you can feel assured that they will be able to deliver the activity.
	6. Why not challenge the small business to demonstrate their mitigation approach to their size rather than just assuming they can’t.
	7. Remember many of the people running small businesses used to be in senior positions in large businesses. A small business doesn’t mean a small mindset.
	8. With a large contract over a number of years, SMEs are unlikely to go bust and all senior managers will be focused on the deliverable giving the MOD a better outcome. You will get more attention with a large contract to a small business than the same contract in a large business.
3. ***“The primes are happy to work with SMEs”***
	1. Buyers, who may have SME engagement targets, are passing that down to larger players/System Integrators. This might seem to allow the buyer to declare they’ve hit xx% SME target in their supplier chain BUT pushes the management overhead onto multiple prime/Systems Integrators. It also means jobs that a prime might have the capability to fulfil 100% now becomes more complex and fragmentary to manage.
	2. There is a perception that working with SMEs adds a lot of risk and as a result, primes load SME engagement risk into their prices which can drive a weakening competitive position. There is a need to understand and work together across Authority / Prime / SMEs to understand and mitigate perceptions and reality of this risk to enable improved engagement indirectly through primes.
	3. Many of the CCS frameworks have mandatory term requirements which are flowed down from the prime to the subcontractor. This can become onerous such as new insurances and can impact, typically 10%+ of total expected revenues.
	4. CCS contracts are getting more complex by the year and it’s unclear if SMEs are resourced to review and understand the risks/issues in CCS terms especially when prime’s wish to actively flow down these terms (i.e. does the SME have legal advisors or commercial folks). Is this having the intended effect?
	5. Ethical walls agreements – there has been a rise in their use the last 12 months. If SME subcontractor are engaged, does the SME have enough role separation to allow for both a delivery team (behind the wall) where they have been previously involved in client-side team (in front of the wall). This is a risk to primes and is driving a division in capability in the SME community. Losing the knowledge that SMEs have does not benefit the MOD. Is the MOD losing valuable knowledge? Previous organisations such as Niteworks addressed this issue by enabling knowledge to be shared across the community, so the ethical walls were far less of an issue, and everyone benefitted.
4. ***“To go to an SME means I know what the solution is - I’d rather get a prime to analyse our requirements and find the solution”***
	1. This assumes that SME’s only offer point solutions. This is not true, many are experts in a particular technology or capability area and can flex their technology, solutions and methods appropriately.
	2. Many of the truly independent SMEs are used to perform requirements analysis and to perform market research including capacity and capability analysis. Who is going to be more objective, a large or a small business?
	3. There is a risk that the prime will merely construct the requirement to meet his own limited capability delivering second rate outcomes.
	4. Many SMEs can not only analyse the requirements, act as solution architects, can independently find the right providers and even integrate the solutions from different providers. Which is going to give better value for money?
	5. The MOD states that it seeks agility, and the required flexibility and agility is found in SMEs to a greater extent than Primes, but then goes to the Prime.
5. ***“Most SMEs are owned by a larger company”***
	1. Statistically, according to recent surveys, most SMEs are independent of larger companies.
	2. If a business is owned by a larger company (including partial ownership by private equity) it is not an SME under the HMG definition of the term.
	3. Where management claim to be an SME owned by a large entitiy they are misrepresenting their status and may be guilty of breaking the law in certain situations.
	4. You could ask for demonstration of independent, conflicts of interest and ultimate ownership as part of a tender. This has been made easier of late by the Companies House requirements to register significant shareholdings.
	5. If a company is owned/controlled by another entity the whole group entity is considered in the determination of an SME. If a company is owned by a Prime they are not an SME by the MODs own definition.
	6. Therefore, not a single SME is owned by a prime as they would cease to be an SME.
6. ***“SMEs can’t afford the integration facilities for developing complex solutions”***
	1. That is a generalisation and not true in sectors such as information technology and cyber-security. The current trend is that the value adding disciplines, such as digital systems are more affordable for SMEs to establish integration facilities. That provides a great opportunity for MOD to operate differently.
	2. And you could provide facilities for SMEs to come together – such as ensuring facilities like the UK Defence Solutions Centre are creating conditions for SMEs to identify and enable solution integrations.
	3. Often MoD ends up paying for prime facilities through price levies and there are very few prime integration facilities which pro-actively encourage and enable SMEs to ‘play’.
7. ***“An SME doesn't have the skills and experience”***
8. 60% of the UK work force is based in SMEs. The ratio is higher in information technology.
9. Most successful SME’s aim to be Subject Matter Experts and as such their capabilities in their niche exceed the generalist prime contractors
10. Some SME’s lead industries for example the first enterprise to gain TickITplus (software engineering template for ISO9001) after working with the BSI to develop the standard was an SME and was followed by large organisations
11. Some SME’s certified to ISO27001 several years before the primes managed to. Many SMEs are now certified to ISO27001.
12. At the peak of the market the global leading Subject Matter Expert (an SME) in Military Messaging capability exceeded the UK’s main prime’s capability.
13. SME’s focus on delivering contractual outcomes and benefit to the MOD as quickly as possible to generate growth and client value. Most large enterprises manage contracts to the letter of the contract to extract greatest margin at the customers’ expense.
14. SME are niche and so in their realm they will often have great knowledge, skills and experience than any prime. Often the primes need to hire in contractors for specific projects as they don't have the skills and the contractors float between the primes.
15. ***“An SME is niche and does not have the breadth to meet the whole MoD need”***
16. Neither do primes. That is why you see teams from different parts of industry responding to some MoD procurements.
17. In information technology many of the requirements are niche and very appropriate for contracting with an SME who will give a small contract appropriate attention.
18. SMEs collaborate and can collectively delivery a broad team of Subject Matter Experts (SME), giving a far greater capability than primes.
* SME subject matter experts can work together to prove their point hrough engagement and through action