

This report and its findings are useful to practitioners in the fields of consultancy (particularly SMEs), procurement and organisations using consultancy services by benchmarking against the findings here to their own organisation when going through a consultancy engagement. The result should achieve greater effectiveness for consultants and procurement during the selection process and can potentially save indirect expenses within client organisations.

Good Procurement Practice
When Buying Consultancy
Services And The
Procurement Of Small And
Medium Sized
Consultancy Firms
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1. Introduction

1.1 The Purpose and Aims of the Research The research of this report was born out of a desire to understand more about procurements involvement in the selection stage of buying consultancy services, and what good practice could be derived from this understanding to help educate stakeholders in achieving successful engagements. It is also known that virtually no research has been undertaken on engagements involving the procurement of small and medium sized consultancy firms (referred to as SMEs) (Lambrechth and Pirnay 2005) and so it was additionally the aim of this research to understand the issues surrounding the procurement of SMEs and the barriers that stop them from achieving successful tenders.

This research was guided by the question, ‘what does good practice look like when procuring consultancy services?’ and ‘what issues are there pertaining to the procurement of small and medium sized consultancy firms? For the latter question a basic description of an SME shall be used in order to benchmark effectively, therefore, SMEs are described as a company with less than 250 employees and an annual turnover not exceeding 50 million euro (Central Procurement Directorate 2011).

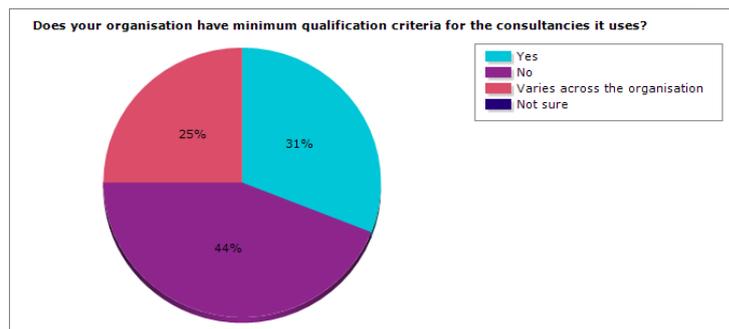
- 1.2 Key Findings**
- There are four good practice criteria procurement use when selecting consultancy services, these are: financial viability, skills and quality of staff, reputation and cultural fit.
 - Strong cultural fit is the most important criteria to procurement when selecting consultancy services.
 - Intangible components of the suppliers value is not measured during the selection stage of engagements except for accreditation (i.e. professional membership).
 - Time and resource constraints placed on procurement result in rushed and ineffective engagements, this is more prevalent within financial organisations.
 - Clients favour suppliers with perceived *brand power* (typically larger firms) because of greater levels of trust.
 - SMEs are seen as risky, client organisations prefer to *play it safe* by contracting large reputable suppliers.
 - There is not much difference in how small and large supplier firms deliver value although SMEs do not deliver as consistently.
 - No evidence was found to indicate that procurement or client organisations are taking measures to facilitate greater uptake of SMEs in the private sector.

1.3 Methodology This research originated from a project being run by the MCA (Management Consultancy Association) into benchmarking and adding value in procurement practices. A survey developed by myself and those associated with the MCA project was used to capture primary quantitative data from **procurement professionals** whose organisations are members of the MCA; the **survey** yielded a response of 35 per cent (**n=46**). Additionally **six follow up telephone interviews** were conducted on those who agreed to participate following completion of the survey which was the basis of our primary qualitative data. Both the survey and interviews were carried out over a four week period during August 2012.

2. Results

2.1 What does good practice look like? While different literature shows a fair amount of familiarity with regards to what ‘good’ practice looks like during the buying process, procurement professionals often stated that practices varied considerably within their own organisation let alone between other organisations. This was demonstrated through survey responses showing that practices varied across the organisation when procurement was asked if their organisation had any minimum qualification criteria (Figure 1), indicating a lack of consistency.

Figure 1 Minimum Qualification Criteria When Selecting Consultants



Interview findings revealed however that procurement places importance on four key criteria when selecting consultants, these being:

Financial Viability: ‘We don’t really care if they’re big or small...what we look at is whether they’re financially viable... profit is what we look at, as long as they make money.’ (Procurement Professional 1)

Skills and Quality of Staff: ‘The criteria we use are whether there are some specific skills...some unique selling points... [We] look at the quality of their people.’ (Procurement Professional 3)

Reputation: ‘You need people that have some form of name and reputation.’ (Procurement Professional 2)

Cultural Fit: ‘It’s people working with people so they have to get along on a personal level as well as fitting in with corporate culture.’ (Procurement Professional 4)

Cultural fit was the most documented and emphasised criteria from procurement professionals during interviews, which suggests it is integral for a successful consultancy engagement.

2.2 Value Interviews revealed that intangible value measurement has low priority amongst procurement during the buying of consultancy services. Hard measures are generally used to assess the value of engagements; this was exemplified by one procurer stating that value is ‘three times more than the cost [of the engagement]’.

However survey responses (Table 1) revealed accreditation – an intangible component - to be important when assessing the value of consultancy firms during engagements.

Table 1 The Importance of Assessing Value from Accreditations

	Largely irrelevant	Not particularly important	Important	Very important	Extremely important	Don't know	Average	Response	No response
Evidence of compliance with a consulting industry Code of Practice	0%	19%	50%	25%	6%	0%	3.2	16	0
Membership of industry professional and trade bodies	6%	12%	50%	25%	6%	0%	3.1	16	0
Individual professional consultancy qualifications (such as the CMC)	6%	12%	50%	31%	0%	0%	3.1	16	0
Other professional qualifications	6%	0%	56%	19%	19%	0%	3.4	16	0

2.3 Behavioural Dynamics Real constraints of time and resource placed pressure on procurement to deliver suitable suppliers; this often resulted in suppliers who were not fit for purpose. This was particularly apparent for those that worked for financial institutions where tough regulations by the FSA were counter-productive to the procurement process.

These dynamics were exacerbated by perceived pressures to deliver suppliers with a sense of ‘brand power’. Organisations believed that suppliers with strong brand power were easier to establish trust with because of pre-conceived expectations of them to deliver through their reputation. The combination of these real and perceived dynamics were often to the detriment of SMEs as often larger, well-known firms were chosen as a result.

2.4 The Procurement of SMEs Findings from interviews with procurement revealed a culture of risk aversion where they often ‘played it safe’ by procuring large and reputable firms as they provided a greater level of certainty; this was associated with levels of trust. Generally the amount of time it had taken to establish a suitable level of trust was longer with smaller firms. Smaller firms required greater scrutiny as they were untested but this was less the case with larger firms whom relied on their reputation. However, better value for money and levels of service were acknowledged by procurement professionals as benefits of using SMEs but these benefits were diminished by the inherent culture to play it safe.

How small and large firms delivered value was also affected by this culture to play it safe. While most procurement believed there not to be any difference in how small

and large firms delivered value, some did believe that small firms were not able to deliver as consistently as larger firms. In other words they had concerns of continuity particularly from levels of resources (e.g. staff) that smaller consultancy firms could or could not provide. There was also a belief that larger suppliers were able to turn projects around quicker, a bonus for the time and resourced constrained procurer.

Furthermore, there was no evidence of measures being taken by procurement or client organisations to encourage greater competition and uptake of SMEs in our findings. Literature has shown us that within the public sector there has been evidence of client organisations removing barriers for SMEs and promoting greater competition (Hurley 2011). Instead our findings, which looked at procurement in the private sector, placed responsibility on the supplier firms, which suggested for them to focus on articulating themselves in ways clients could understand in order to build relationships and win contracts.

3. Recommendations

This report has argued that, despite greater steps being taken within the public sector to facilitate greater uptake of SMEs, the private sector is still reluctant to follow. There exists a culture of risk aversion within procurement in the private sector relying on 'brand power' and choosing to 'play it safe' by going with large reputable firms where trust is established quicker. This problem is exacerbated by time and resource constraints placed on procurement which can lead to ineffective consultancy engagements. In drawing these conclusions, a number of recommendations can be made to consultancies, clients and procurers of the industry.

Get the right culture: larger firms are generally good at complimenting the client organisations culture. SMEs should invest more time into developing greater culture awareness in order to achieve greater rapport with clients and success at winning contracts.

Understand the real value being delivered: accreditation is seen as important for a consultancy firm to possess, but procurers should understand fully what benefits these have to a project before allowing it to influence their decision.

Avoid placing pressure on procurement: time and resource pressures can result in procuring a supplier that is not fit for purpose. It is important for clients to allow procurement to carry out necessary procedures to avoid defaulting to a safe supplier option.

Educate procurement: client organisations and consultancies should work together to educate procurement on how to analyse markets and understand suppliers' strengths, including when to consider SMEs and what benefits they can offer.

Remove bloated bureaucracy: by carefully examining and removing trivial tendering procedures, the private sector will be more willing to adopt measures taken by public sector to increase competition and facilitate greater uptake of SMEs.

References

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