

Institution: De Montfort University		
Unit of Assessment: 17		
Title of case study: Enhancing Leicester's Economy by Increasing Local SMEs' Participation in the City's Procurement		
Period when the underpinning research was undertaken: 2008–2019		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s):	Role(s) (e.g. job title):	Period(s) employed by submitting HEI:
Kassa Woldesenbet Beta	Associate Professor in Research	17 November 2008–present
Period when the claimed impact occurred: September 2013–December 2020		
Is this case study continued from a case study submitted in 2014? N		
1. Summary of the impact <p>Small and medium-size enterprises (SMEs) are a large and familiar part of the UK business landscape, so why has it traditionally been so difficult for them, particularly small ethnic minority-owned businesses, to participate in public procurement processes? Research led by Associate Professor Kassa Woldesenbet Beta examined barriers to SMEs engaging with local procurement, creating a new evidence base that has enhanced understanding of the challenges. Supported by the DMU collaborative approach to research, the findings have shaped new procurement rules, processes and practices within Leicester City Council, supported an increase in spend on services and products from local SMEs – up from 18% in 2015 to 46% in 2018 – and increased local engagement with the procurement process.</p>		
2. Underpinning research <p>SMEs make a significant contribution to social and economic development. Figures from the Department of Business, Energy and Industrial Strategy (https://tinyurl.com/57t7wjab) show that, at the start of 2020, SMEs provided nearly two-thirds (16,800,000 jobs) of the total employment in UK private sector businesses, and just over half of the turnover (GBP2,300,000,000). However, despite this contribution, SMEs have historically been disadvantaged in the public-sector market, with evidence suggesting that significantly lower levels of small businesses participated in, or secured, public-sector procurement contracts. Having a diversity of suppliers is important – indeed public procurement is often seen as an important lever to secure wider social inclusion and local regeneration objectives. With UK government targets focused on increasing public procurement spend with SMEs, a more detailed understanding about existing barriers was needed. Research carried out at DMU by Woldesenbet Beta has focused specifically on the challenges faced by small businesses, including ethnic minority-owned businesses (EMBs), in securing contracts from large private and public-sector purchasers.</p> <p>Drawing on the evidence from 18 small firms, Woldesenbet Beta and his colleagues examined the role of entrepreneurial and dynamic capabilities in small businesses in supplying large purchasing organisations (LPOs). This study was awarded the Best Overall 2012 Paper prize for its original and significant contributions by the <i>International Small Business Journal</i> in that it identified a variety of entrepreneurial and dynamic capabilities combined that significantly enable SMEs' operation in mainstream markets and supplying LPOs [R1].</p> <p>Further research led by Woldesenbet Beta examined the factors that enable or constrain supply diversity. The second study drew on case-study evidence from three sectors – business services, information and communication technology, and food manufacture – focusing on the experiences of workers, who have previously been neglected. A key discovery in the research was that because of the unequal power dynamics in supply-chain relationships between LPOs and small EMBs, small EMBs face a tightening of control over practices such as recruitment, work organisation and work hours; and this, in turn, can affect an organisation's capability to grow [R2]. Focusing in on business challenges in the West Midlands showed that the business</p>		

support needs of small EMBs were at odds with the wider 'contract culture' and that there was a need to 'flex' contractual arrangements to allow for more intensive and targeted interventions [R3].

This led to a year-long collaboration, again led by Woldesenbet Beta, with a regional business support intermediary, Business Link, during which time they investigated the concept of super-diversity – the growing population diversity – and how it applied to SMEs; in particular, policy relating to enterprise. Using methods comprising participant observation and interviews with community-based intermediaries and business owners from 22 new migrant communities, the study found that policymakers and practitioners struggled to cope with the complexities of engaging with diverse businesses. Recommendations included collaborative working between academics and practitioners to deploy complementary bodies of knowledge and to develop constructive intervention to support diverse small businesses [R4].

More recently, Woldesenbet Beta and Worthington have examined the extent to which small diverse businesses in Leicester can engage with LPOs, particularly the city council. Working with 20 smaller businesses from the population of 220 SMEs and 10 public-sector organisations in the area, the study provided novel insight by empirically identifying four discernible groups of small business (timid, ambivalent, aspiring and engaged) with different levels of knowledge, attitude and capacity, from those unwilling and unable to seek supply opportunities to those aspiring and able to engage; and the need to address information asymmetry. Importantly, this study showed the importance of the provision of information and support to small diverse businesses to enable them to engage with LPOs like the city council, for the benefit of diverse small businesses, but also for the wider societal benefits derived from socially inclusive processes. The study was the first of its kind to show how institutional, market and firm contexts interplay in complex ways to shape small businesses' strategic choice to engage in public procurement [R5].

3. References to the research

- [R1] Woldesenbet, K., Ram, M. and Jones, T. (2012) 'Supplying large firms: the role of entrepreneurial and dynamic capabilities in small businesses', *International Small Business Journal*, 30(5): 493–512; <https://doi.org/10.1177/0266242611396390>
- [R2] Ram, M., Woldesenbet, K. and Jones, T. (2011) 'Raising the "table stakes"? Ethnic minority businesses and supply chain relationships', *Work Employment and Society*, 25(2): 309–326; <https://doi.org/10.1177/0950017011398896>
- [R3] Ram, M., Trehan, K., Rouse, J., Woldesenbet, K. and Jones, T. (2012) 'Ethnic minority business support in the West Midlands: Challenges and developments', *Environment and Planning C: Government and Policy*, 30(3): 504–519; <https://doi.org/10.1068/c11167b>
- [R4] Ram, M., Jones, T., Paul, E., Kiselincev, A., Muchenje, L. and Woldesenbet, K. (2013) 'Engaging with super-diversity: new migrant businesses and the research–policy nexus', *International Small Business Journal*, 31(4): 337–356; <https://doi.org/10.1177/0266242611429979>
- [R5] Woldesenbet, K. and Worthington, I. (2019) 'Public procurement and small businesses: estranged or engaged?', *Journal of Small Business Management*, 57(4): 1661–1675; <https://doi.org/10.1111/jsbm.12442>

GRANTS

- [G1] European Union Investing in Your Future and European Regional Development Fund PI (2007–2013) *Supply to Public Sector Project*: GBP490,000.

4. Details of the impact

Research carried out by the DMU team has created a new evidence base about the challenges and opportunities in the local SME landscape as they relate to public procurement. The constructive intervention of the collaborative research, working with Leicester City Council, business support networks, small EMBs and other local stakeholders, has also changed understanding of what is needed to address both the supply and demand side of public

procurement, particularly in relation to small EMBs. This 'engaged' approach has (1) shaped new procurement rules, processes and practices within Leicester City Council resulting in an increase both in local spend on services and products from local SMEs and (2) increased local engagement with the procurement process.

(1) SHAPING NEW PROCUREMENT RULES, PROCESSES AND PRACTICES WITHIN LEICESTER CITY COUNCIL

For many years, procurement within Leicester City Council (LCC) was operational in nature, often lacking structure and not fully aligned with strategic priorities. An established relationship with DMU enabled LCC to access Woldesenbet Beta's research on SMEs and, drawing on that evidence base, they were able to make significant and sustained changes to their procurement rules, processes and practices, creating a new, more inclusive and transparent procurement approach. The Assistant Mayor (Policy Development) and Head of Procurement has stated that:

Engagement with DMU's researchers contributed to the establishment of new procurement procedures (Contract Procedure Rules) for the City Council, streamlined open and transparent procurement processes, a new social value charter and accompanying guide for suppliers/contractors and better-informed strategic decisions ... Sustained changes were made to improving the culture of procurement process and practices. [C1]

Specific changes include:

- In 2015, modifications to the procurement rules and procedures creating greater flexibility. These changes now allow the council to use the most appropriate procedures and permit a procurement value of up to GBP75,000 (previously GBP30,000) for goods and services, and up to GBP250,000 for works to be advertised in a 'relaxed and responsive manner', so that procurement officers can decide upon the most appropriate procedure for each contract [C4].
- Changes in LCC's procurement practices in 2015 included not using the preferred supplier list, opting out from the Eastern Shires Purchasing Organisation (ESPO), developing separate processes for new tenders, and splitting large contracts into smaller lots [C4].
- LCC added a new Social Value Charter in 2018 into the council's procurement framework in order to maximise social value sustainably by 'employing locally and responsibly, sourcing locally, supporting and engaging with local communities, improving environmental sustainability, and doing business ethically' [C3], reflecting the DMU research on diversity and inclusivity in procurement.

(2) SUPPORTING AN INCREASE IN LOCAL ENGAGEMENT WITH PROCUREMENT PROCESSES

Following the changes to procurement processes, local small suppliers have become subcontractors for larger ones. For example, Morgan Sindall, Leicester Market Development Project and Charles Henry & Sons Ltd have spent 85%, 52% and 50% respectively on subcontracting with local small businesses. DMU's research demonstrated the importance of diversity and inclusivity for small EMBs in the public-sector supply chain. The city council subsequently changed their rules and processes to address the power imbalance between small EMBs and LPOs which in turn resulted in an increase in LCC's locally based spend by 8.3% (GBP 19,000,000) between 2015 and 2016 [C1]. The annual spend with local small SMEs reached 46% in 2018 [C1], from 18% in 2015. This increase is unprecedented in the context of public sector spending with SMEs, which at a national level fell to 24% in 2015/16 and 22.5% in 2016/17 [C1]. Local SMEs have also increased their level of success with public-sector contracts, not least because of their increased understanding of the process, gained from their involvement with the DMU research. A director of one such business has commented that:

We have developed a clearer idea and have become more confident in searching for, applying for and creating the documentation for local government tenders. Over the last few years, as we have won contracts with local authorities, we have been added to their

preferred supplier lists and have generated some repeat business from this. Two recent examples of successful contracts were from the LCC in 2019/20 and Solihull Metropolitan Borough Council in 2015–2016 ... [E]ngaging with Professor Woldesenbet Beta's research has encouraged us to explore other innovative avenues for securing local authority contracts, for example using more direct approaches like applying for contracts via online jobsites and contacting employment agencies. [C2]

5. Sources to corroborate the impact

- [C1] Testimonial Statement from Assistant Mayor (Policy Development) and Head of Procurement, Leicester City Council, dated 15 December 2020.
- [C2] Testimonial Statement: Supply to the Public Sector project from the Director of local small business, 13 March 2020.
- [C3] Leicester City Council (2018). *Social Value Charter: Improving Economic, Social and Environmental Wellbeing Through Procurement, Planning and Grants*, October 2018.
- [C4] Meeting Minute – Head of Procurement, LCC and Dr Kassa Woldesenbet Beta, 16 November 2018.