

# Collaboration Nation:

Creating an  
environment for  
growth

August 2013

FUJITSU

shaping tomorrow with you

A red-tinted satellite map of Europe, showing the continent's coastline and major landmasses. The map is oriented with North at the top, and the entire image has a monochromatic red color scheme.

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# Foreword

"When we launched our own report on private sector growth in October 2012, The UK's Growth Landscape, we sought to highlight how important it is that we have a unified strategy that helps areas across the UK to thrive – not just London and the South East.

That belief has particular relevance for small and medium-sized businesses, which contribute so much to this 'bigger picture' of economic potential around the country.

It is difficult to over estimate just how valuable businesses of this size are to sustainable growth. Lest we forget, SMEs account for 99% of all enterprise activity in the UK. Our own research shows that medium-sized businesses alone could contribute as much as £20bn - £50bn to the UK economy by 2020.

Getting Britain growing means giving all of the companies that fall within that small and medium-sized category the platform from which they can confidently win business from a range of customers. Working in partnership with larger firms is key to this, giving smaller companies access to a number of opportunities that may be out of their grasp when working in isolation.

Collaboration can – and should – be the springboard from which businesses big and small can deliver better results for their customers and themselves. To the detriment of UK industry however, collaboration of this kind is rarely as simple or as well-regarded as it should be.

This report from Fujitsu lays bare some of the challenges faced by smaller firms when working in partnership with large enterprise. While it focuses specifically on the technology sector, some of the challenges presented are certain to resonate with business owners from wider industry too.

Conquering these issues, removing the barriers that prevent small/ medium-sized businesses from working effectively and equitably with large enterprise must become a priority if we are to truly enable and energise collaboration on these shores."

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John Cridland

CBI Director-General

# Introduction

Historically big business has been seen as the enemy of small – a series of Goliaths paying little or no attention to the Davids in their sector. In the last 18 months however there has been a gradually increasing power shift towards small to mid-sized enterprises (SMEs) as they are cited by many as the strongest route out of the current economic turmoil. The Organisation for Economic Co-operation and Development (OECD) stated that “given their importance in all economies they (SMEs) are essential for the economic recovery.”

SMEs operate more flexible business models and have lighter business structures than big business which enables them to be more proactive and innovative. And this is particularly the case within the technology sector with the ‘Tech City’ effect fostering smaller IT suppliers. Encouraging the work and development of SMEs in this sector is seen as a way of stimulating UK business and driving growth for the country as a whole – an agenda that the UK government is keen to progress.

Upon coming into office, the Coalition Government launched a package of measures to increase opportunities for SME suppliers and to give the government more access to SMEs’ creativity and innovation. This had the ultimate aspiration that they would deliver 25% of central Government procurement spend through SMEs by the end of this Parliament. These measures, aimed at greater simplification and transparency of tender processes, included measures such as the Contracts Finder website, Mystery Shopper service and the appointment of a Crown Representative for SMEs.

It is against this backdrop that the need for both large and smaller IT suppliers to collaborate in delivering projects for the public and private sectors has developed. The key to success for the British economy is for businesses, large and small, to work hard at a symbiotic relationship to everyone’s mutual benefit. And yet, so often the relationship between big business and small business is fractious.

Collaboration is core to Fujitsu’s strategy in the UK and a subject we feel passionately about. We wanted to understand what it was about the relationship between SMEs and large businesses that was not working in order to inform our own partnerships but also our interactions across all our stakeholders. We couldn’t find the research we were looking for so we commissioned it.

Working in partnership with an independent research company Opinion Leader we interviewed 473 C-suite executives from UK SMEs in the IT, engineering and technology sectors to discover how far they currently collaborate to deliver IT services; what the appetite is to partner with large enterprise and what the main barriers and drivers to collaboration are.

This report uses the findings to delve deeper into this issue to find out how best to enable collaboration in the UK IT sector, leading to mutual benefits for all.

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<sup>1</sup>Contracts Finder lets SMEs search for information about contracts worth over £10,000 with the government and its agencies. SMEs can use Contracts Finder to: search for current contract opportunities, find out what’s coming up in the future, and look up details of previous tenders and contracts.

<sup>2</sup>The role of the Mystery Shopper Scheme is to: provide a clear, structured and direct route for suppliers to raise concerns about public procurement practice when attempts at resolving issues with a contracting authority or a first-tier supplier have failed.



# Executive Summary

The Collaboration Nation report investigates SME attitudes to two closely related subjects:

1. Collaboration with larger suppliers – how SMEs feel about working with larger enterprises, the benefits they derive from doing so and the issues that prevent them from working with big businesses more often
2. The current procurement landscape – how easy or difficult SMEs find it to win contracts with large enterprise and government, and why they believe that is.

Below, we summarise the key findings in each of those areas.

## Collaboration with larger suppliers

- Desire for collaboration with large enterprise is high – 58% of SMEs believe that small and large suppliers should work together to win business. 62% of those who have collaborated with big business before see benefit in doing so
- Collaboration is not commonplace – 43% of SMEs say that collaboration with larger firms “rarely or never” happens in business today. 53% say that enabling collaboration is “fairly or very” difficult
- Barriers to collaboration are well defined – SMEs cite an average of six barriers that stand in the way of collaboration. Chief amongst these is the idea that the government favours larger suppliers. 99% of SMEs mention at least one obstacle to collaboration
- Delivering more for their clients motivates SMEs to collaborate – asked what drives them to collaborate in the first place, 53% of SMEs stated their desire to deliver better results for clients. 46% noted that they are able to use bigger partners to help mitigate their own risks

- Winning experience breeds trust – 42% of SMEs that have worked with bigger firms have won business by doing so. 69% of this group say that they don’t believe they could have won the business without partnering with large enterprise
- Collaboration fuels innovation and growth – 59% of SMEs say that a collaborative approach is “essential” for innovation, 62% say the same of economic growth in the UK
- The future is bright - 71% say that they are planning on working with large enterprise to win business in the next five years. Many within this group believe that this will account for a significant percentage of their revenues over the next 12 months

## The current procurement landscape

- Hard-won business – 77% of SMEs believe that it is hard to win Government contracts, with 40% saying the same of winning work from big business
- Some way to go – 50% believe that there has been no change in how easy or difficult it is to win public sector contracts in the past two years
- Interest is high, but satisfaction is low – 65% of SMEs want to tender for public sector business, but 41% are dissatisfied with the current accessibility to that work
- Policy changes are welcome – 53% of SMEs feel that Government departments should be mandated by law to give business to smaller suppliers

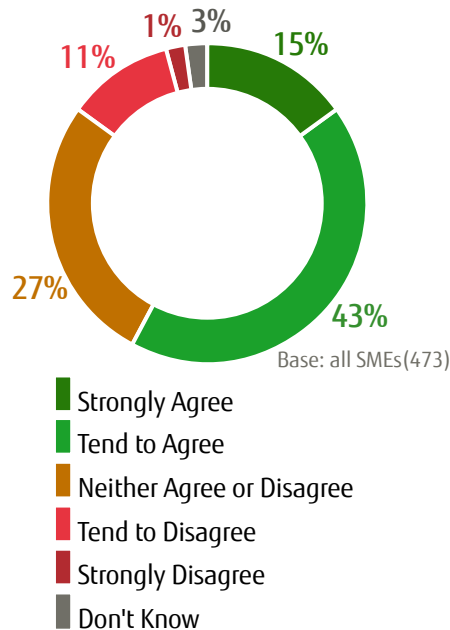
# Moving Collaboration Forward

## Is there a desire for collaboration?

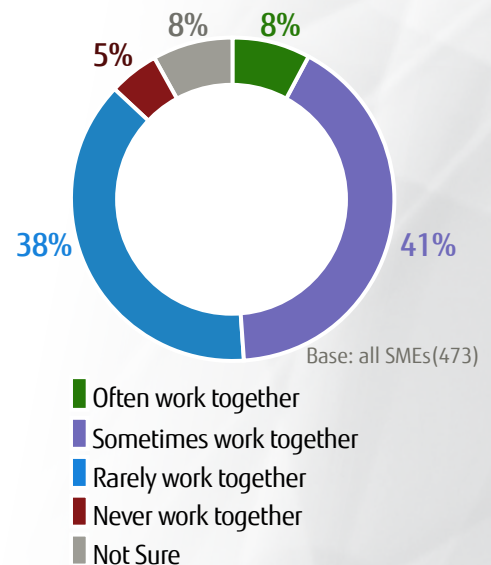
Over half (58%) of SMEs agreed that smaller and larger suppliers should work together to win large contracts, yet 43% said this rarely or never happens in current practice. The reasons for this are explored later in this report.

Over half of SMEs agree that smaller and larger suppliers should work together, yet 43% say this rarely or never happens in current practice.

**Q:** Smaller and larger suppliers of IT, engineering or technology should work together to supply large organisations or government departments



**Q:** How often do smaller and larger suppliers work together currently



62% of those with prior experience of working jointly with a large company believed that such collaboration is a good idea, showing that the benefits of collaboration are strong. Furthermore, 80% of those who said they will definitely collaborate with larger IT suppliers in the future (and are already actively seeking these opportunities) advocate this collaboration.

However, just over six in ten of those who said collaboration should be happening also believed that winning both government and commercial contracts (both 63%) was 'difficult' and mentioned several key barriers getting in the way of them doing so. Therefore, whilst the idea of collaboration appeals to SMEs, the majority see clear obstacles to this becoming a reality.

So, why do SMEs believe that successful collaboration is too good to be true? The barriers to collaboration, which are analysed in more detail later on in this report, may be responsible for why an average of just 8% of respondents claimed that smaller and larger suppliers 'often' work together in the current marketplace.

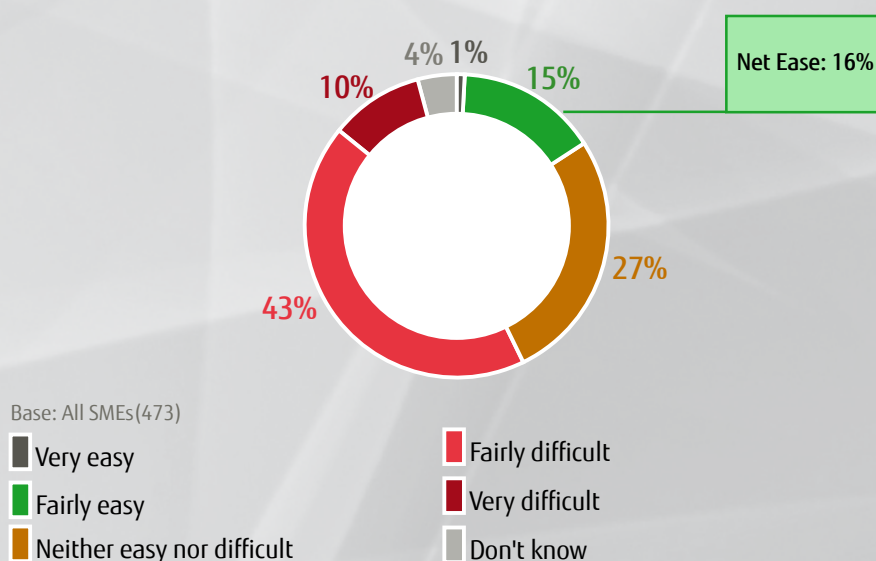
Prior experience of collaboration is important; 48% of those with prior experience stated that collaboration 'sometimes happens', compared with 41% overall. However, 35% of those with prior experience in collaboration still said that larger and smaller suppliers 'rarely' work together to win large contracts, showing that even SMEs with prior experience do not perceive this collaboration to be happening enough of the time.

Perceived accessibility of larger contracts also influences perception of collaboration - 47% of those who are dissatisfied with the accessibility to Government contracts, and 51% who are dissatisfied with the accessibility to large commercial contracts also suggest that collaboration 'rarely' occurs in the current marketplace.

Just over half (53%) of SME respondents believed that making collaboration occur is difficult. Understandably, respondents who claimed that they will definitely collaborate with a larger company in the future were more likely than others to believe the process is easy (29% compared to 17% average) yet 44% of this group still claimed that the process was a difficult one to undertake.

The majority of respondents believe that making the collaboration occur is difficult

**Q:** In your opinion, how easy or difficult is it for this collaboration to occur between smaller and larger suppliers of IT, engineering or technology?



# What influences collaboration?

SMEs cite an average of six barriers each when it comes to collaborating with large IT suppliers and nearly all (99%) believe there to be at least one barrier, so they definitely have something to say on the issue. SMEs also (understandably) cite more barriers on the side of the SME than on the side of big business.

The most prominent barrier for small businesses was 'Government favouring larger/major suppliers over smaller suppliers'. This could

perhaps indicate that SMEs feel it would not be in the interest of larger companies to partner with them if they are going to win the Government contracts regardless. The perceived futility of even entering the tendering process for fear that bigger businesses hoover up all the contracts is a significant barrier and it could go some way to explaining why SMEs are quite negative about the access of large government and commercial contracts.

"Government or public sector organisations like the NHS generally won't work with small companies at all...Without having the bigger name there; they're not going to get the business."

Steve Karneinsky, Nectek Ltd.

"For the scale of certain things within government it's more difficult for it to be achieved with perhaps a collection of smaller businesses than a larger business that can take it on and do it in a more homogenous efficient way."

SME Business Owner

"It's still very hard for a small company to get government work, (...) the larger systems integrators, the larger suppliers are better equipped, they're better connected, better networked and have a track record in delivery and at the end of the day can probably be as price competitive in the modern environment as an SME can be."

SME Business Owner



A further key barrier to SME collaboration cited was that payment terms from large suppliers may involve long time scales, creating cash flow concerns and therefore putting the smaller companies at risk if they work in this way.

"It's just that they go through so many hoops to get us a cheque or a payment made, it's ridiculous."

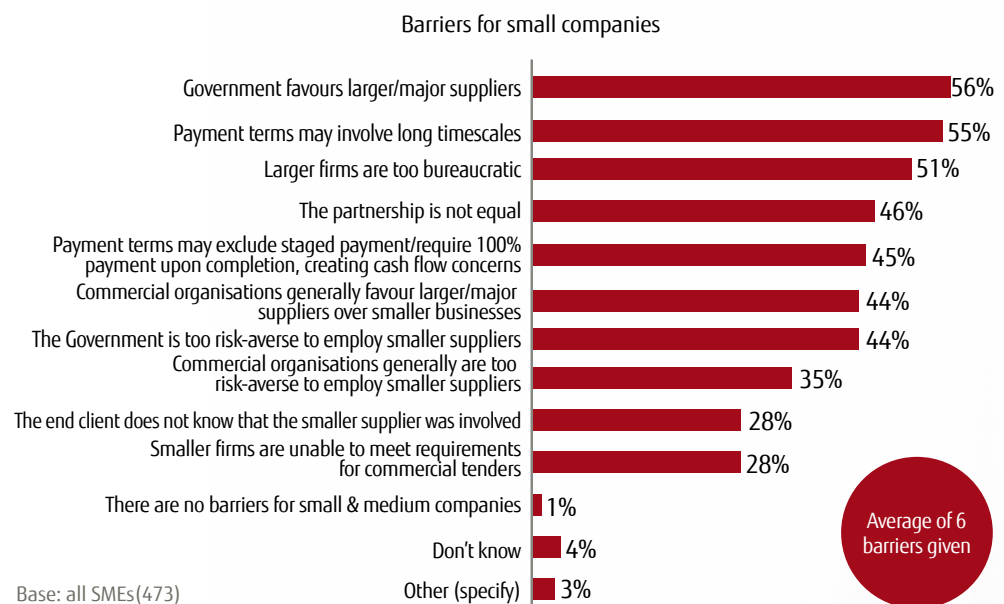
Jeremy Bartlam, SME Business Manager

"It's really taking advantage. It's our biggest risk. Large companies are terrible at paying their invoices and small companies that work with them are at risk they're going to go bust quite quickly."

SME Business Owner

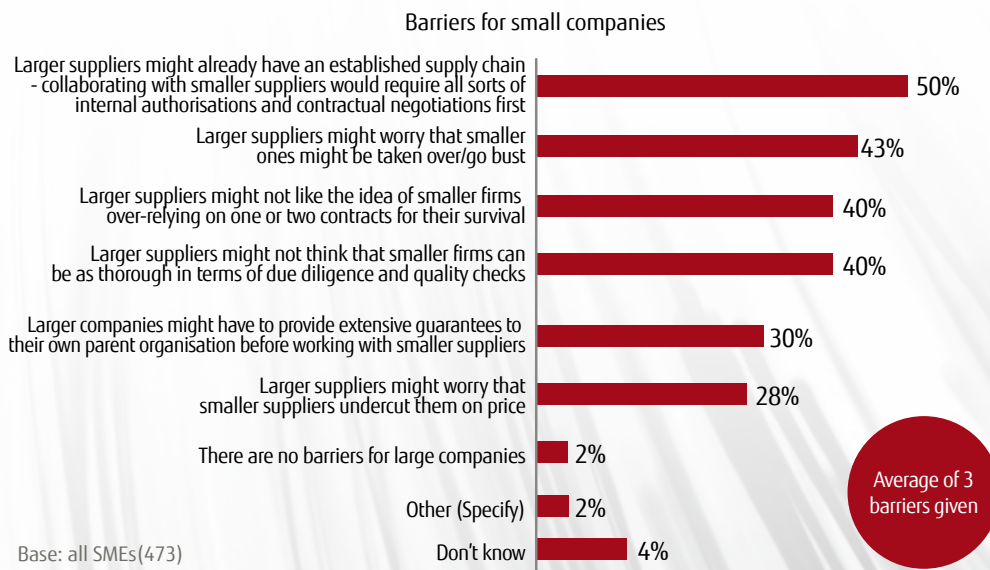
Other key barriers from the perspective of SMEs included perceived bureaucracy and risk aversion in larger organisations and also that the SME would not be an equal partner in the agreement.

SMEs cite an average of 6 barriers each when it comes to working with large IT, engineering or technology firms



The perception that smaller companies may go bust was echoed as a perceived barrier preventing large suppliers initiating partnerships. Also prominent was the perception that larger firms have established supply chains and hence are less likely to take risks on partnerships with new SMEs who are not on their rosters. 40% of SMEs thought that larger firms might not want to collaborate with them due to worries about the due diligence of their processes.

## SMEs believe large companies perceive there to be too much hassle and risk involved in working with smaller IT, engineering or technology firms

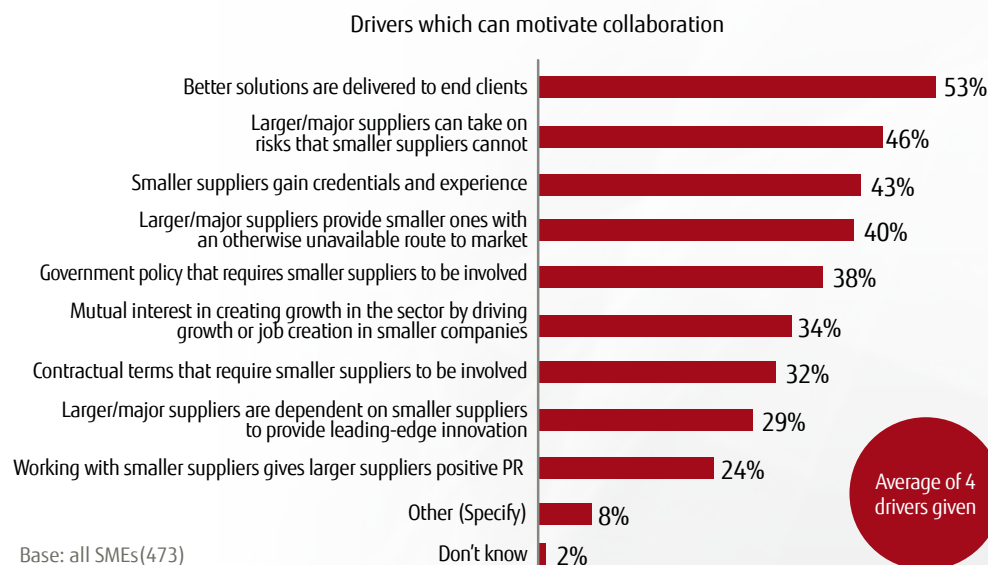


In terms of key drivers of collaboration, the most popular among SMEs was the opportunity to offer better solutions to end clients. Also important were the spreading of risk, and gaining of credentials and a route to market. Interestingly, just 38% cited government policy championing involvement of SMEs as a key driver, indicating that its impact is far from ubiquitous.

**"If we want to increase our coverage or increase our margins, we've got to partner with larger suppliers in the future."**

Sam Murray, Business Development Manager of an IT SME

## The most popular driver to collaboration cited by SMEs is improving the end result for clients



When asked what the 'main driver' was to collaboration, better solutions delivered to end clients emerged as the clear leader, therefore with all parties (SME, large business partner and end client) potentially benefitting, the onus now is to find ways of enabling this to happen more often. The main barrier being that Government procurement teams may be too risk averse to consider smaller businesses suggests that there is in fact a greater need for smaller businesses to collaborate with larger suppliers to ensure enough innovation is reaching the Government sector.

"SMEs don't just have innovative solutions in terms of technology, they could provide good supporting services."

SME Business Owner

"Smaller firms who have less overheads are probably more creative and can probably bring things to market quicker."

Nigel Birch, Secure Exchange

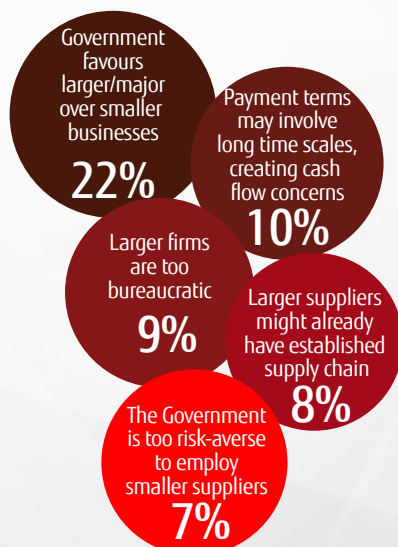
"We can bring them in, put them on our platform, create that channel for them to market. We have the ability to then host that solution in our environment."

Richard Bull, End User Services, Fujitsu



## The main barrier is one which could be easily overturned by government policy

What people consider to be the main barriers to collaboration



Base: all naming at least 1 barrier for small or large companies(449)

What people consider to be the main drivers to joint collaboration



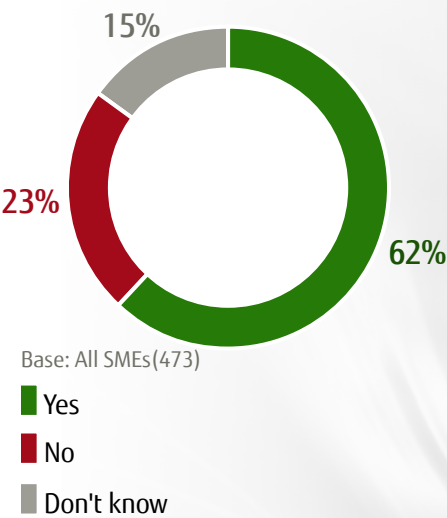
Base: all naming at least 1 driver for small or large companies(435)

# Is collaboration commonplace?

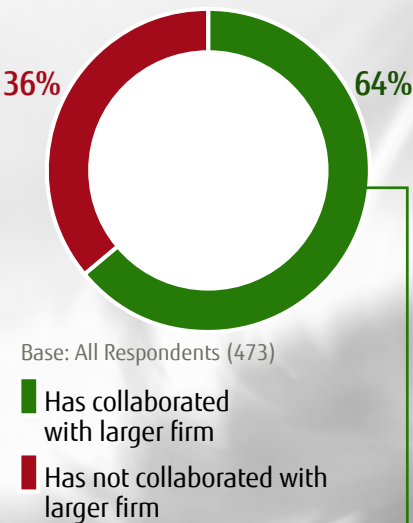
62% of SMEs said that securing contracts to supply large organisations or government departments without working in partnership with larger suppliers is possible whilst just under a quarter (23%) disagreed. 64% of SMEs had experience of working with larger organisations in this way and bigger, longer established SMEs were more likely to have done so than smaller, newer SMEs.

SMEs which have previously collaborated with large organisations are more likely to bid jointly in the future

**Q:** Can smaller IT, engineering or technology suppliers be successful in securing contracts to supply large organisations or government departments?



**Q:** Experience in working with large organisations



Company Size		Years In Business	
1-3	48%	Less than 1	49%
4-19	64%	1-5 years	53%
20-49	71%	6+ years	67%
50-249	81%		
Linked to bid jointly			
Definitely		92%	
Possibly		68%	
No/Don't Know		38%	

Success of these joint ventures is finely balanced though, with 42% reporting to have won the (joint) bid and 37% reporting to have been unsuccessful.

In a resounding endorsement of the value of collaboration, over two thirds of the SMEs which have won work in joint bids with larger suppliers said they could not have won the work alone (69%).

"We wanted to bid the contract directly but we knew that the Government were looking for a large provider, they wanted the security of a large company behind it. So we agreed that we would tender along with a large satellite operator as their engineering supplier. They had the resources and capacity, and we had the engineering experience and people on the ground to deliver it so we entered a joint venture and joint bid. It was very positive because although they were a large company, they were very accessible and there was quite a small project team so it felt like quite a small project (despite it being quite a large one)."

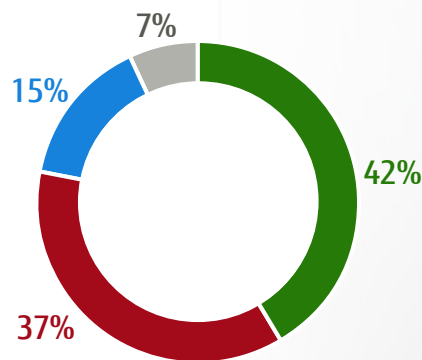
Sam Murray, Business Development Manager, IT SME

"Our partner company normally gets us to talk to the client, because we have a high level of expertise in the area that we deal in, and the end clients find that impressive."

Les Stow, Aspect Training

The majority of SMEs which have won work in joint bids, say they could not have won the work alone

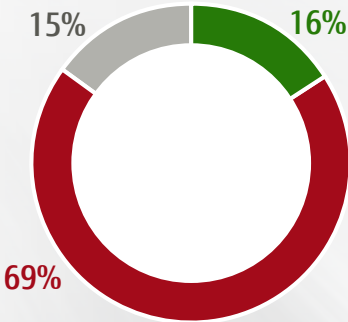
**Q:** The outcome of the most recent joint bid that SME took part in



Base: All SMEs who have worked on joint bids with large companies (304)

- The partnership won the work
- The partnership did not win the work
- Decision is pending
- Don't know

**Q:** Could you have won this work without going in partnership with the larger IT, engineering or technology firm?



Base: All SMEs who have worked on joint bids with large companies & won their last joint bid (127)

- Yes
- No
- Don't know

Company Size		Linked to bid jointly	
1-3	85%	Definitely	80%
4-19	68%	Possibly	61%
20-49	67%	No/Don't Know	60%
50-249	58%		

This was especially true of the smaller SMEs made up of 1-3 employees, 85% of whom said they needed the larger supplier to help them win the contract. It is also these smaller SMEs who are least likely to believe that they have a chance of winning contracts with large organisations or Government departments without working in partnership with a larger supplier (48% compared to a 62% average). Therefore, despite the fact that larger SMEs of 50-249 employees are more likely to have worked with a larger supplier to bid for a contract in the last 12 months (43% compared to a 30% average), it is often the smaller SMEs who feel they benefit the most.

Reinforcing the clear value of such collaboration from the perspective of SMEs, the most popular benefit from this collaboration (cited by SMEs who had done so) was the fact that it opened up opportunities for future joint bids. Similarly access to greater revenues, the tender process and new opportunities were all commonly cited benefits. Fewer than one in ten stated that there were no benefits to their collaboration with a larger organisation on a joint bid.



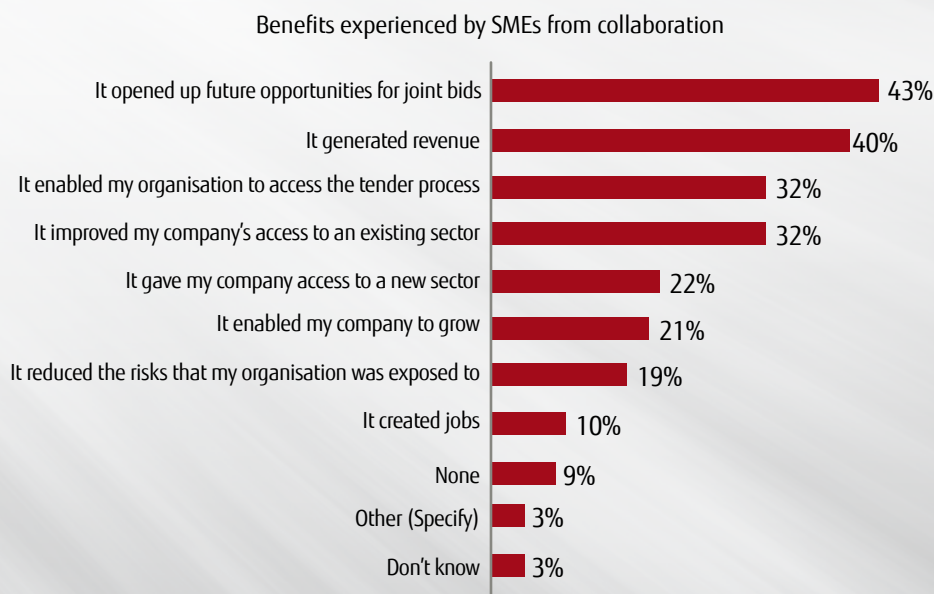
"[The main advantage for me is] the possibility of more work... you can build a relationship with that company and then you can get a better idea of their needs and things you can do for them."

Danny Leonard, Sign IT Solutions.

"There's a lot of very, very talented people in small companies that just don't get the chance to do a lot of the stuff they want to do."

Les Stow, Aspect Training

The main benefits experienced by SMEs include gaining access to future projects and work

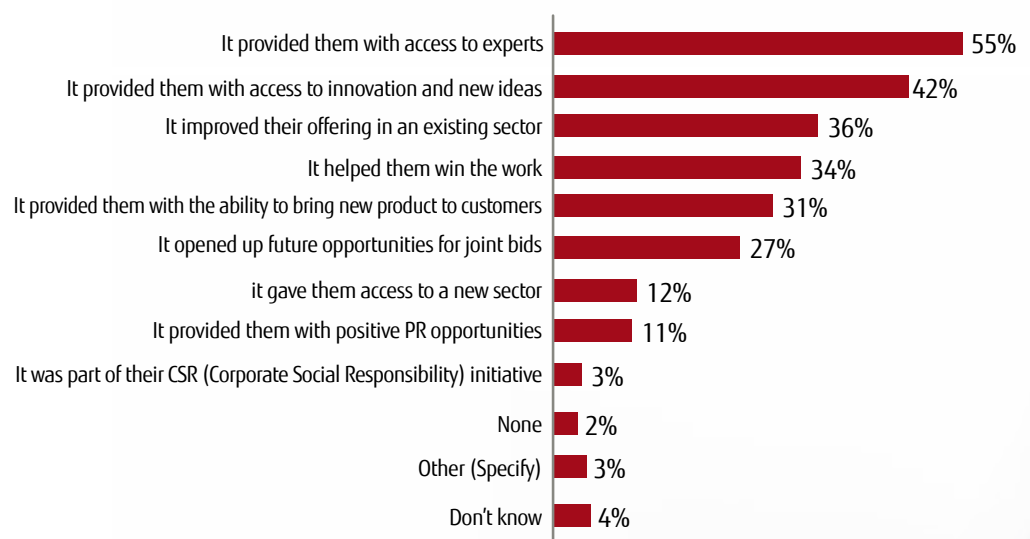


Base: all SMEs who have worked on joint bids with large companies (304)

This demonstrates the opportunity for growth through a collaborative approach. From the perspective of SMEs the benefits are not restricted to the SMEs themselves. Popular perceived benefits for the larger supplier side of a collaboration (among SMEs) were improved access to experts (53%) and innovative ideas (42%) which consequently provided the larger business with the opportunity to win more innovative or specialist contracts and achieve their growth targets as well.

The main benefits thought to have been experienced by large firms include gaining specialist access to expertise and innovation

Q. Benefits experienced by large firm from collaboration



Base: all SMEs who have worked on joint bids with large companies (304)

Over half of the SMEs in our survey (59%) believed that a collaborative approach is essential for innovation and 62% believed that it is essential for UK growth. Disagreement was very low across the board but was highest among the smallest SMEs (also those most likely to have not collaborated in this way in the past). Similarly, larger SMEs (those most likely to have collaborated) were most likely to endorse the value of collaboration across the three statements (see following chart).

"They had the resources and capacity; we had the engineering experience and people on the ground to deliver it."

Sam Murray, Business Development Manager, IT SME

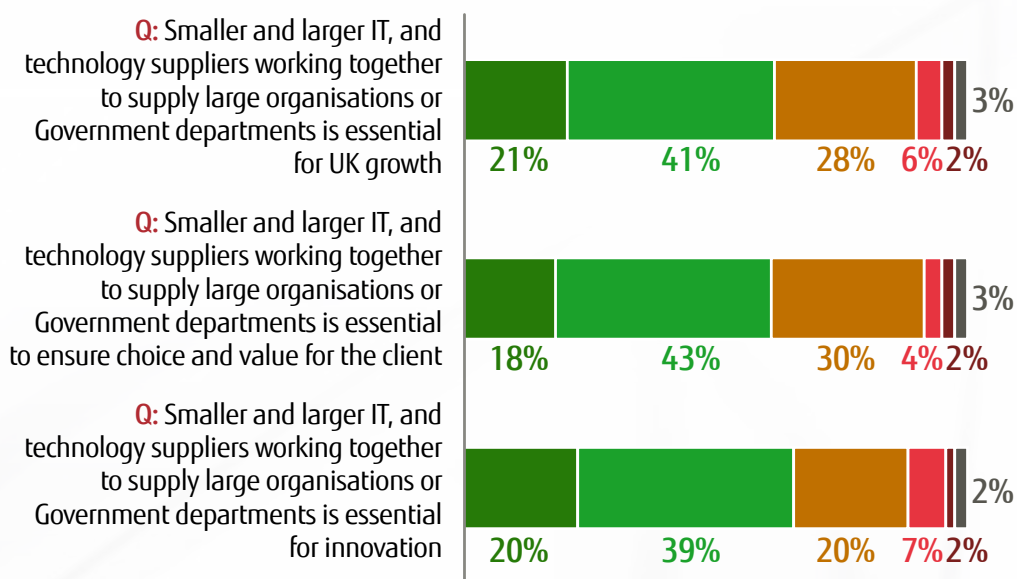
"It struck them that out of the partnership we had we were suddenly the more important element than they were. We had the innovative piece of technology."

SME Business Owner

"It gives them the ability to offer things that they wouldn't normally offer."

Les Stow, Aspect Training

Collaboration between large firms and SMEs is thought likely to help generate UK growth as well as provide good value and innovation to the end client



Base: all SMEs (473)

# Collaboration driving growth

Given that collaboration with larger suppliers was seen to promote many financial and logistical benefits for SMEs, we wanted to explore what percentage of their revenue (within the next 12 months) SMEs who were planning to work in this way in the future were attributing to work won through a partnership.

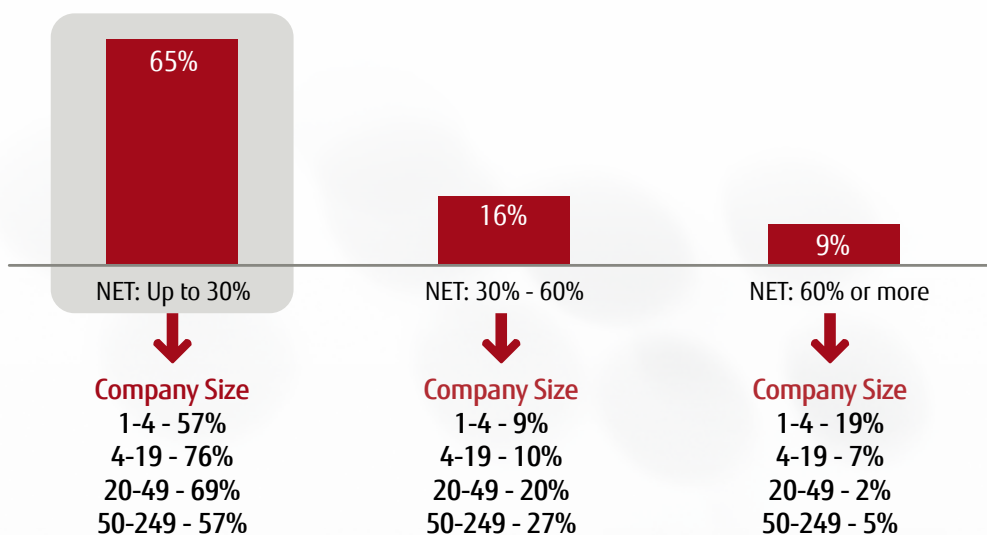
A total of 71% of the SMEs who participated in our survey said they were planning to work together with larger suppliers in bids to supply large organisations or government departments in the next 5 years.

Almost two thirds (65%) of these SMEs said that they expected up to 30% of their revenues over the next 12 months would come from work won out of these partnerships. Only one in ten (9%) said that they are expecting the majority of their revenues over the next year to come from partnerships with larger organisations, indicating that, whilst an attractive proposition, there is still work to do in enabling the collaboration and making SMEs more confident in seeking out and entering these agreements.



Most of the SMEs planning to partner large firms in the future, attribute up to 30% of their forecasted revenue to the work these partnerships will win

**Q:** Looking at the next 12 months, what percentage of your forecasted future revenues are you attributing to work won in collaboration with larger IT, engineering or technology suppliers?



Base: all SMEs planning to work with large companies in the future (327)

These results demonstrate that, despite a strong desire to collaborate, current expectations of actual revenues generated are conservative. Therefore much more can be done by larger organisations and the government to encourage these partnerships in the future around alleviating the barriers and risks to collaboration and making SMEs more confident in following the road into collaboration with larger organisations.

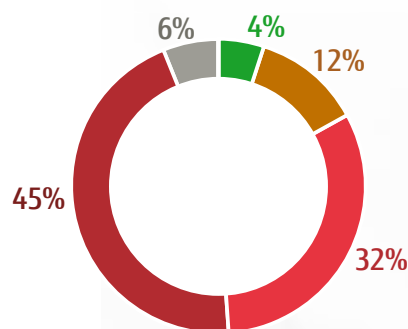
# The Current Procurement Landscape

The strong appetite for collaboration we found among SMEs is not surprising when we look at their perceptions of the current procurement landscape.

77% of SMEs perceived it to be difficult to win Government contracts, whilst less than half (40%) found it difficult to win contracts with big businesses. Our qualitative interviews echoed this perception, specifically making reference to the longer procurement processes of many Government departments compared to the larger businesses they have experienced.

SMEs perceive it to be more difficult to win Government business than it is to win business with large companies in the commercial sector

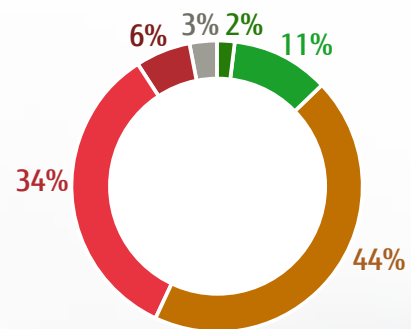
**Q:** The ease by which smaller suppliers can win Government business



Base: All SMEs (473)

Very easy  
Fairly easy  
Neither easy nor difficult

**Q:** The ease by which smaller suppliers can win business with large companies in the commercial sector



Base: All SMEs (473)

Fairly difficult  
Very difficult  
Don't know

"Government contracts are more difficult to win [than commercial contracts]. Absolutely without a doubt."

Danny Leonard, Sign IT Solutions

"When all other features are equal, it will come down to cost(...) whereas a commercial organisation will say, actually cost is important but what is the rest of it around you, what's the service level like around it, look people in the eye, could I work with you or couldn't I work with you or could I work with you? What will you do that's different? So it becomes a much more personal, subjective decision making process."

SME Business Owner

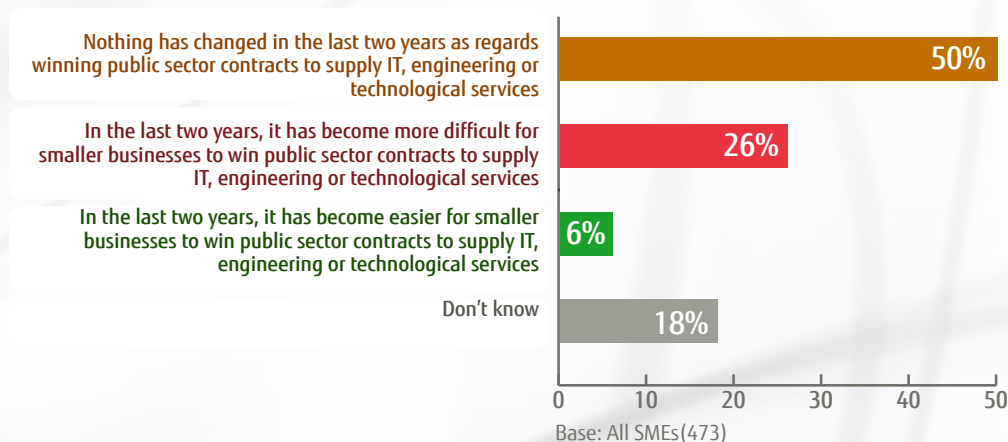
"Government has so much process when it comes to expenditure (...) nothing happens quickly. That's why we're not really interested in dealing with Government."

Nigel Birch, Secure Exchange

These views of Government process go towards explaining why only 6% of the SMEs in our survey believed it has become easier in the last two years to win public sector contracts and 26% believed it has become harder.

Over one quarter of SMEs believe it has become more difficult in the last two years for smaller businesses to win public sector contracts to supply IT, engineering or technological services

**Q:** On the whole, when it comes to winning IT, engineering and technology contracts for the public sector, would you say that...



However, it is worth noting that whilst only 4% of respondents claimed it was 'easy' to win Government contracts, still only 13% described winning commercial contracts as 'easy'. This suggests there are still significant barriers within the private sector which were also noted in our qualitative interviews.

"They're both just as difficult."

Nigel Birch, Secure Exchange

"I mean, it's incredibly difficult even if you know the person, to actually talk to anybody in a big company. At most of them getting past the switchboard is almost impossible."

Les Stow, Aspect Training

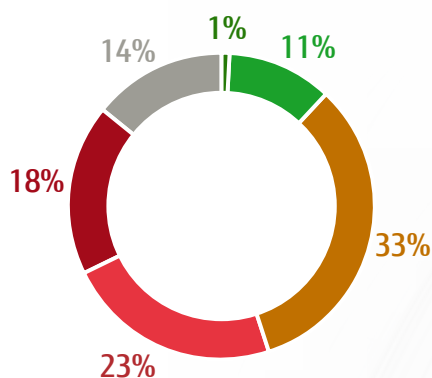
These findings indicate room for improvement for both big business and Government procurement processes in acknowledging the skills and expertise of small businesses and allowing them the opportunity to utilise these in the current market.

# Perceived accessibility to Government and big business tenders

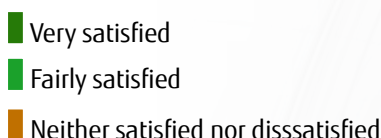
Given most do not find it easy, it is unsurprising that the SMEs in our survey were also more likely to be dissatisfied (41%) with the accessibility to Government projects than they were to be satisfied (12%), despite the significant efforts made in this area in the last three years. The picture is slightly better for access to commercial tenders (33% satisfied vs. 18% dissatisfied), however, there is clearly work to do here too.

SMEs perceive accessibility to Government tenders as more difficult than tenders for large projects in the commercial sector

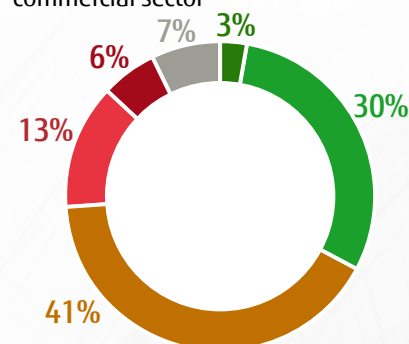
**Q:** Satisfaction with the accessibility of tenders for Government projects



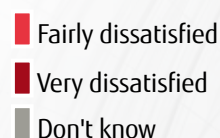
Base: All SMEs (473)



**Q:** Satisfaction with the accessibility of tenders for large projects in the commercial sector



Base: All SMEs (473)



One accessibility problem which recurred within the depth interviews included lack of understanding of and having the time to fill in the required forms which were perceived to be slanted towards larger companies.

"You can't fill the forms in because you need a double PhD to fill in the form and understand the questionnaire."

Steve Perham, Airmax Group

"They [government and commercial tenders] are always biased to the larger company."

Steve Perham, Airmax Group

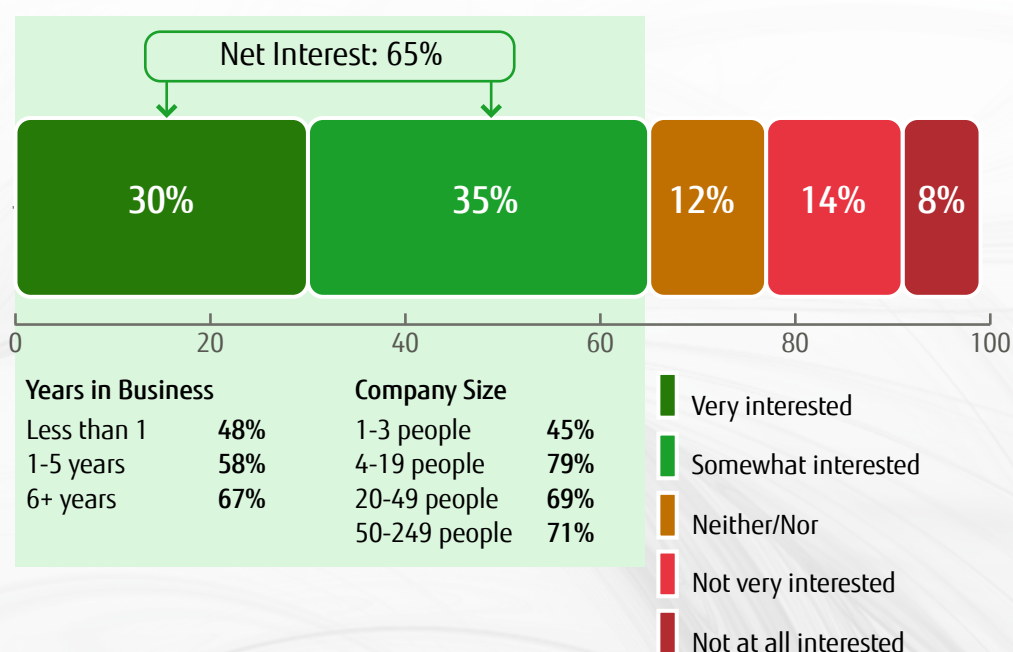
"You always know when you go for a piece of government business there are a number of other horses running in the race and you have to make your judgment of how you think you are going to do because there is only going to be one winner." SME Business Owner



Despite these issues of accessibility, 65% of SMEs in our research said they would be interested in tendering for public sector contracts in the future. Hence the willingness to tender exists, yet as we saw earlier, the door is still (at least partially) closed.

Almost two thirds of companies would be interested in tendering for large contracts, particularly those from companies with 4-19 employees and at least six years in business

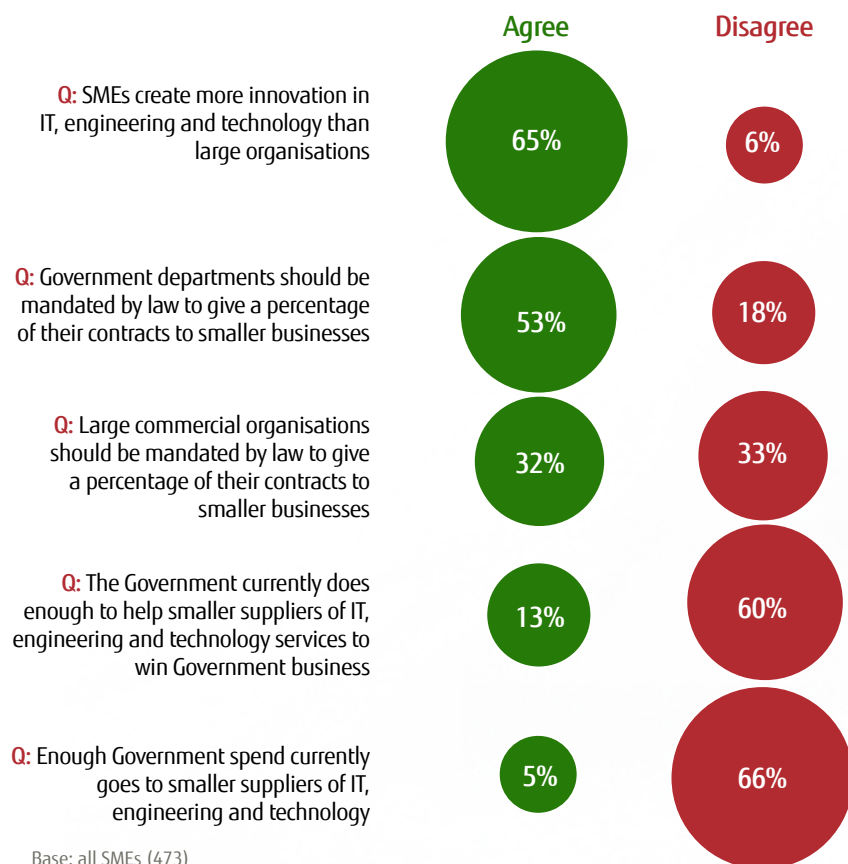
**Q:** How interested would your company be in tendering for large IT, engineering and technology contracts for public sector in the future?



So what of the alternative to collaboration, a government mandate? The majority of SMEs in our survey (66%) believed that not enough government spend currently goes to smaller suppliers of IT services, and that the government currently does not do enough to help them (60%).

Just over half (53%) believed that government departments should be mandated by law to give a percentage of their contracts to smaller businesses and just over a third (32%) thought the same of commercial organisations, indicative of the differences in perceived accessibility to contracts in these two sectors we saw earlier.

The majority felt that by law, the Government should be doing more to help SMEs win new business



Some reasons behind the tentative support for mandates on awarding business to smaller suppliers were revealed in our depth interviews, where a general feeling of self-sufficiency emerged.

"SMEs are also guilty of not going out looking for business."

Jeremy Bartlam, SME Business Manager

"I think it's up to the companies themselves to sell value added services that the large organisations will find attractive."

Sam Murray, business development manager, IT SME

"I think it's all very well saying the government should do more to help SMEs win businesses but the reality is the SMEs have to go and win the business themselves."

SME Business Owner

Having said this, the thought that the Government is a more 'appropriate' body to help SMEs by law may explain why fewer respondents (32%) were inclined to think that large commercial organisations should follow a similar mandate.

"The Government has to offer incentives for large organisations to do that, e.g. tax breaks or something."

Sam Murray, Business Development Manager, IT SME

Yet we should not assume that all IT, engineering and technology SMEs want to work with large companies or Government departments at all. A total of 20% of respondents believed that larger and smaller businesses have an 'ethos or approach that is too far apart to work together effectively'. This could be true of both partnership working and within a client/supplier relationship.

"The trouble is you are dealing with a different type of people. I mean the large corporates, they are very different animals."

Steve Perham, Airmax Group

Many SMEs actually prefer to deal solely with other SMEs and therefore not have this collaboration at all;

"All the while we're getting plenty of business from small to medium businesses then it doesn't even feel like a particularly attractive prospect."

SME Business Owner

"No we won't tender. We've got enough business without tendering for business. We see it the other way round. If you want us we've got to select you. We've got such good products that save you so much money, we have to select who's going to have it."

Steve Perham, Airmax Group

# Responding to the collaboration challenge

When first embarking on this research, our goal was to get to grips with the realities of collaboration in the IT sector today; what drives it, what hinders it and what benefits it can bring for the companies that choose to work together.

Very quickly, we learnt that while collaboration is held in high regard by many tech SMEs, it simply doesn't happen regularly enough. There is a vast amount of latent opportunity, and the key to unlocking it lies in making collaboration between big and small firms as simple, sustainable and attractive as it should be.

In order to harness the opportunities all organisations – big and small – need to demonstrate true commitment to creating a collaboration-nation. We believe those that do stand the chance of gaining a significant competitive advantage.

But what does this commitment look like? Reflecting on the findings of our study we identified five collaboration imperatives that should be a priority for the UK:

## **1. BOOST confidence in collaboration**

Boosting confidence is a two-way process. Not only do some SMEs need to feel more confident about the net benefit for them from working with bigger companies, many also need to be reassured that larger firms and government do not exclusively favour big suppliers.

This then becomes a threefold challenge. Large enterprises need to tangibly and irrefutably show that there is clear benefit for SMEs when working with them. Together with government, large firms also need to demonstrate that SMEs are an essential part of their procurement landscape. Finally, SMEs need to feed confidence back to their partners and customers too, showing that they can capably deliver on the promises they make.

We believe that all of these challenges are unilaterally important.

## **2. REMOVE bureaucracy to ease the path**

One of the most adamant views we received from the small business leaders surveyed was that the level of bureaucracy inherent in working with large IT suppliers is a significant barrier to collaboration. While this might not be the most surprising result, the fact remains that for more SMEs to embrace partnerships - and for those partnerships to be successful - the path to collaboration has to be smoother. The trick is for large IT suppliers to cut the red tape that tangles their smaller partners, without discarding the structures and processes that make them a credible, reliable supplier.



### 3. EXPLORE all the opportunities

In today's business environment, opportunities rarely land in your lap; collaboration is no exception. Large companies need to commit resources to proactively expanding their partner community.

The ability for larger IT companies to access innovative products and services is a key driver of collaboration, but it also relies on being able to go out and find cutting edge businesses to partner with. For their part, small businesses need to be open to collaboration and willing to capitalise on some of the initiatives already put in place by the UK Government designed to foster opportunities for SMEs.

### 4. DEVELOP a better understanding of each other

At its heart, collaboration succeeds or fails based on the actions of the people driving it – on both sides of the equation. What we see from our research is that SMEs and large enterprises don't always understand the working practices and environments of their partners, which can lead to confusion, inefficiency and, sometimes, resentment. As such, there is room for improvement, something that is far likelier between companies that share a common vision or culture.

### 5. FOCUS on the customer

The main driver for collaboration from the perspective of a small business is to deliver a better service to customers – a goal that we wholeheartedly agree with. It struck us that by keeping this front of mind in any partnership, it should be possible to overcome many of the perceived barriers outlined in this report. Focusing on what is right for the customer, and what collaboration should deliver to them will at the very least ensure that the partnership starts out on the right foot.



# Fujitsu and its SME partners

Fujitsu proactively supports, promotes and frequently engages with SME suppliers across its entire supply chain. To maintain a sustainable supply chain whilst ensuring transparency and equality we select suppliers based on their capability to fulfil a requirement regardless of the size, demographic or the social make-up of a particular supplier.

In order to support this method of operation we follow a consistent and structured due diligence process when selecting suppliers, which ensures they are able to successfully fulfil a specific supply requirement.

The number of SMEs supporting Fujitsu UK and Ireland operations is not static and is aligned to our supply requirements but around 27% of our supplier spend could be attributed to SMEs last year.

Wherever possible we will look to increase and improve our SME engagement practices aligned to the continuous improvement of our due diligence processes when selecting fit for purpose suppliers.

Here are some facts and figures relating to SMEs:

- We work with 794 unique SMEs in the UK
- 27% of UK supplier spend last year was with SMEs
- We are signed up to the prompt payment code, which means we pay within an agreed period
- We have set ourselves a target to increase SMEs by a further 5% and SME spend by a further 10% by 2014

# Appendices

## Methodology

This survey sought to get feedback from decision-makers working for SMEs that provide IT, engineering or technology services in the UK or the Republic of Ireland. We were particularly interested in their perceptions of what drives success when SMEs work with big companies to tender for larger IT, engineering or technology contracts, including enablers of and barriers to collaboration.

The research consisted of 473, 10-minute online interviews with a sample of SMEs across England, Scotland and Wales obtained from the Research Now Business Panel (see <http://www.researchnow.com/en-GB/Panels/SpecialityPanel/BusinessPanel.aspx> for more detail on panel make-up, recruitment and quality procedures applying to that panel). Recruitment for the qualitative depth interviews were completed by Opinion Leader's in-house fieldwork management team. The participants were either contacted directly or selected from those online participants who had agreed to participate in further research. The interviews lasted approximately 45 minutes.

Eligible businesses were defined as having at least one employee, but fewer than 250, who supply IT, engineering or technology services, either as its sole activity or as part of a wider portfolio of services. The target for the interviews was a senior person in the business who is involved in that company's business strategy and/or responding to tenders or putting together delivery solutions in the fields of IT, engineering or technology.

Quotas were set on the size of business and UK region to obtain as robust a sample as possible. These were as follows:

QUOTA ON REGION	Number of completes required
1. North	95
2. Midlands & East	95
3. South & London	230
4. Scotland	50
5. Wales	15
6. Northern Ireland	15
7. Republic of Ireland	KEPT OPEN BUT SET MAX AT 30

QUOTA ON SIZE	Number of completes required
1. 1 to 3 employees	200
2. 4 to 19 employees	200
3. 20 to 49 employees	50
4. 50 to 249 employees	50

Weighting of the total responses were based on the proportionate spread of SMEs from the IT, Engineering and Technology sector present in the RN Business Panel. These were applied as follows:

			PANEL PROFILE		ACTUAL ACHIEVED PROFILE		WEIGHTING FACTOR PANEL
1	Region	North England	59	12%	62	13%	0.95
		Midlands & East	69	15%	79	17%	0.88
		South East & London	287	61%	270	57%	1.06
		Scotland	39	8%	43	9%	0.91
		Wales	13	3%	18	4%	0.73
		Northern Ireland	6	1%	3	1%	2.23
2	No.of Employees	1 to 3 employees	147	31%	187	40%	0.78
		4 to 19 employees	137	29%	123	26%	1.12
		20 to 49 employees	71	15%	66	14%	1.07
		50 to 249 employees	118	25%	96	20%	1.23

This research has been undertaken in line with the guidelines set out by the market research quality standards ISO 20252 and 9001.

# Notes on data interpretation

This survey represents an accurate, objective and balanced indication of sentiment among SMEs in the IT, engineering and technology sector. It was not a census of all UK SMEs in the sector, it was a sample, therefore the representativeness of the results are only as good as the sampling frame (i.e. the panel of businesses from which participants came). The respondents came from a panel of UK businesses, and hence were not a truly 'random' sample, therefore the results are strongly indicative of feeling amongst UK SMEs in this sector but cannot be extrapolated as "truly representative". However, the panel is recruited in a robust manner, the spread of respondents by company size and region is good, and this has been corrected slightly using weighting.

The SMEs who took part in our survey are only a sample of the total "population" of UK SMEs, so we cannot be certain that the figures obtained are exactly those we would have if everybody had responded (the "true" values). We can, however, predict the variation between the sample results and the "true" values from knowledge of the size of the samples on which the results are based and the number of times a particular answer is given. The confidence with which we can make this prediction is usually chosen to be 95% - that is, the chances are 95 in 100 that the "true" value will fall within a specified range. The table below illustrates the predicted ranges for different sample sizes and percentage results at the "95% confidence interval", assuming the "universe" of 300,000 UK SMEs in the sector.

Size of sample on which survey result is based	Approximate sampling tolerances applicable to percentages at or near these levels		
	10% or 90%	30% or 70%	50%
	+ -	+ -	+ -
100 responses	6	9	9
200 responses	4	6	7
300 responses	3	5	6
473 responses	3	4	4



For example, with a sample size of 473 where 30% give a particular answer, the chances are, 19 in 20, the "true" value (which would have been obtained if the whole "universe" had been interviewed) will fall within the range of +4 percentage points from the survey result (i.e. between 26% and 34%). It should, though, be stated that these figures assume a simple, random sample with no design effect.

When results are compared between separate groups within a sample, to test if the difference is a real one - i.e. if it is "statistically significant", we again have to know the size of the samples, the percentage giving a certain answer and the degree of confidence chosen. If we assume "95% confidence interval", the differences between the results of two separate groups must be greater than the values given in the table below (again, assuming the "universe" of 300,000):

Size of samples compared	Differences required for significance at or near these percentage levels		
	10% or 90%	30% or 70%	50%
	+ -	+ -	+ -
50 and 50	12	18	19
100 and 100	8	12	13
200 and 200	5	8	9
200 and 473	5	8	9

## Fujitsu

Tel: +44 (0) 870 242 7998  
Email: [askfujitsu@uk.fujitsu.com](mailto:askfujitsu@uk.fujitsu.com)  
Ask Fujitsu Ref: 3429  
[uk.fujitsu.com](http://uk.fujitsu.com)

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