

Guide to Improving Access to Health Services Procurement by SMEs

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What is a small-to-medium enterprise?

The Australian Bureau of Statistics (ABS) defines a small business as an actively trading business with 0-19 employees and a medium-sized business as an actively trading business with 20-199 employees. Employment size ranges are based on headcount rather than a measure of full-time equivalent people.

Small businesses commonly referred to as the third market sector, include SMEs and other types of organisations such as non-for-profits and social benefit suppliers (including indigenous businesses). Research shows that suppliers in the third sector share similar business operation issues and face similar barriers when dealing with government procurement. In this guide, the term 'SME' includes all the above-mentioned businesses from the third market sector.

Why engage with SMEs?

The Health Services Sector is committed to improving access to its business opportunities for small¹ to medium enterprises (SMEs)). Access to the Health Services Sector procurement opportunities can provide stability and encourage growth of businesses. This can increase market competition which helps to drive better value-for-money outcomes and cost savings for the Health Services Sector.

Procurement also provides a lever for achieving broader government objectives, such as promoting local content, encouraging regional sourcing, improving small business development and increasing local employment opportunities.

The SME market is also a large player in delivering innovative solutions. Other benefits of engaging SMEs are listed in *Table 1* (below).

Table 1: Benefits of engaging with SMEs

Benefit	Details
Lower costs	Lower administrative overheads and management costs than larger firms. Potential for lower prices, depending on the nature of the procurement.
Innovation	SMEs can deliver innovative solutions: for example: <ul style="list-style-type: none">• Early exploitation of new technology• Providing products or services in new or underdeveloped markets• Using innovation to differentiate themselves from established market players
Responsiveness	Shorter management chains and approval routes that may result in quicker responses to changing requirements.
Flexibility	Health services contracts can be more important to SMEs due to the need to become more financial stable. Within this context, they may be more willing to provide a bespoke product or tailor a service to meet specific requirements of health services needs than a larger firm selling already established offerings.

¹ The Small business sector provides 47 per cent of cent of the State's sales and output with a diverse range of products and services.

Quality service	Health services may be considered as a larger customer of a small business and can result in more personal levels of service and better relationship with the supplier.
Specialist service	Many SMEs supply higher quality specialist products or services than large suppliers, either because large suppliers are discouraged by the limited demand, or because the SME has greater skills, originality and commitment in that field than their large company competitors.

When to engage with SMEs

Early engagement with suppliers is central to enhance SME participation in the marketplace.

When you approach the market, you should consider how to adapt your procurement processes to facilitate SME participation.

SME engagement should be an element of the organisation's supplier engagement plan.

Figure 1 (below) illustrates when in the annual planning procurement lifecycle to engage with SMEs.

Figure 1: Annual planning

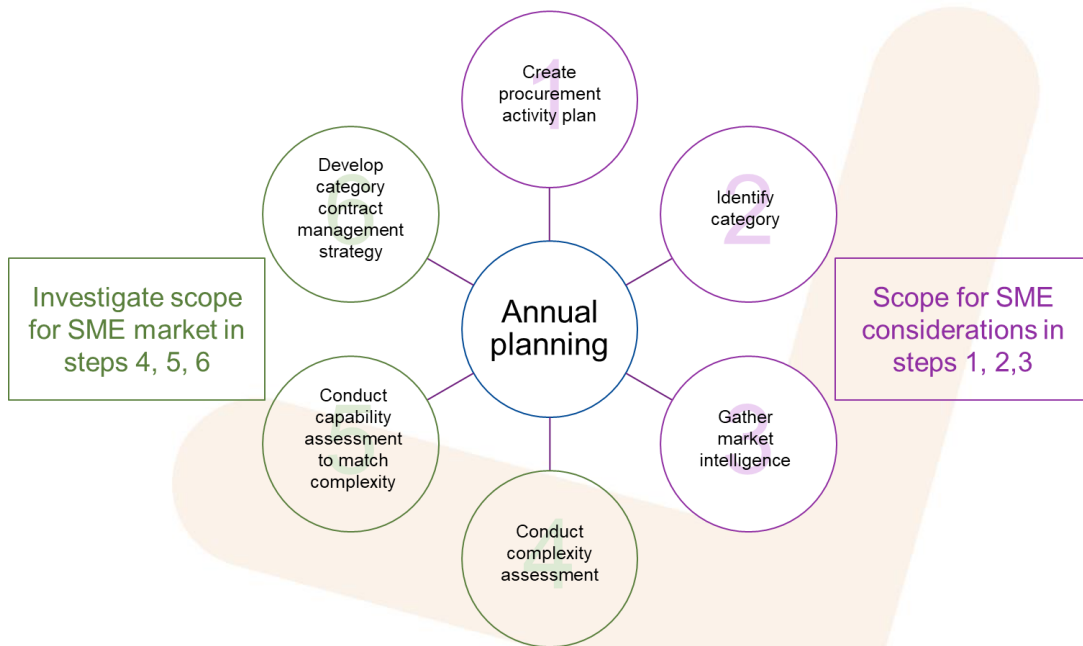
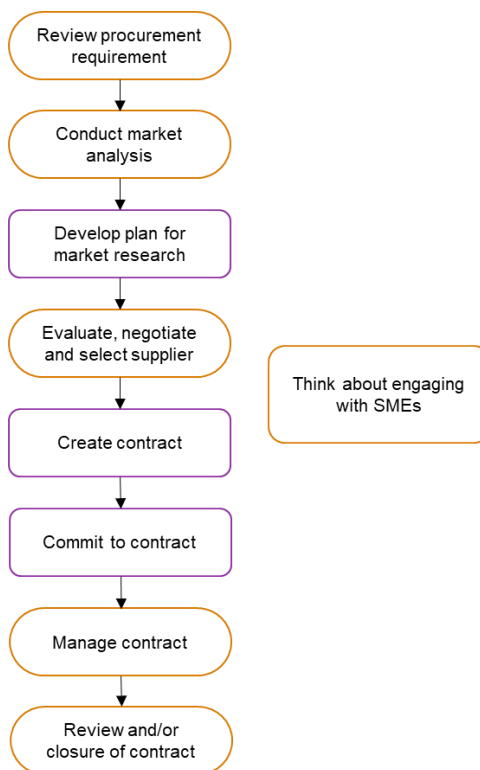


Figure 2 (below) illustrates when in an individual procurement activity lifecycle to engage with SMEs

Figure 2: Individual procurement activity



How to engage with SMEs

There is no easy way to engage with the SME sector as a whole. Many small businesses do not belong to their relevant industry associations. However, there are a number of resources that organisations can use to increase knowledge sharing and to inform the Health Supply Market about organisational processes and upcoming opportunities.

Table 2 provides guidance on how to improve opportunities for SME participation in the Health Services Sector marketplace.

Table 2: Practical ways to improve SME engagement

Action	Detail
Procurement process	<ul style="list-style-type: none"> Explain the process, and what will be required from suppliers at the start. Early and broad market engagement is a key activity in investigating options for innovation.
Visibility of opportunities/risks and transparency	<ul style="list-style-type: none"> Use your Health Service website to provide information for suppliers. Consider including a document on how procurement works in your organisation. Publish contact details for both general procurement questions and specific opportunities. Know your target market. Through market analysis, understand the suppliers that are capable of bidding for your contract, whether there are SMEs in the marketplace and how best to inform/engage with them. When engaging SMEs, consider all associated risks including financial, capability and resource stability

Action	Detail
Large contracts	<ul style="list-style-type: none"> Consider defining the procurement need into small sections that could be managed by SMEs as there are still opportunities through aggregated purchasing or large contracts to involve SMEs as part of the primary supply chain. Reduce the administrative burden on SMEs by simplifying pre-qualification forms when running a competitive procurement for low-value procurement activities. It is important to select suppliers that are financially sound and capable of delivering solutions. However, this does not necessarily mean selecting the largest suppliers with the most extensive track record.
Managing the supply chain	<ul style="list-style-type: none"> Where appropriate, ask your principal suppliers to indicate how SMEs gain access to their subcontracting opportunities. Be open to consortia bids from Consortiums/Joint Ventures/SMEs as this is one way in which small businesses can tackle large procurements. Ensure visibility of types of suppliers involved in the supply chain.
Specifications	<ul style="list-style-type: none"> Make requirements clear and unambiguous and avoid jargon. Avoid over-specifying the requirement (i.e., insurance/indemnity requirements do not inadvertently exclude SMEs from the process).
Public tenders	<ul style="list-style-type: none"> Public tendering is considered to be an onerous process by SMEs. This must be taken into consideration when approaching the market. Avoid unnecessary financial, legal and/or administrative requirements that might exclude SME participation. Make all tender requirements and instructions clear including indication of anticipated timeframes for completing various tender process stages.

Government initiatives

Government procurement policies in the Health Sector at both State and Commonwealth level provide a framework to achieve value for money from public sector procurement while being fair, ethical and transparent. Some relevant state and commonwealth procurement policies that the Health Services Sector may consider including are:

Fair Jobs Code

www.buyingfor.vic.gov.au/fair-jobs-code

- This Code promotes labour standards and encourages compliance with employment, industrial relations and workplace health and safety obligations.

Local Jobs First

<https://localjobsfirst.vic.gov.au/>

- Local Jobs First is focused on promoting employment and business growth by expanding market opportunities for local industry and providing for industry development.

Social Procurement Framework

<https://www.buyingfor.vic.gov.au/social-procurement-framework-and-guides>

- The Social Procurement Framework governs how the Victorian Government undertakes social procurement.

Modern Slavery Act

<https://www.homeaffairs.gov.au/criminal-justice/Pages/modern-slavery.aspx>

- The Act established a national Modern Slavery Reporting Requirement (Reporting Requirement).
- This Reporting Requirement applies to large businesses and other entities in the Australian market with annual consolidated revenue of at least AUD\$100 million.

Resources

There are a number of government resources that are available to help businesses understand and/or engage with the SME market as follows:

Business Victoria

<http://www.business.vic.gov.au>

- Business Victoria conducts a Winning government business seminar which is popular with SMEs. You may consider using these seminars as an opportunity to inform SMEs on how and when they can get involved in your organisation's procurement activities.

Industry Capability Network (ICN)

<http://www.icn.org.au>

- ICN maintains an online register for buyers and suppliers. They also offer personal advice and expertise on the supplier landscape in Victoria and are a good resource for organisations to identify competitive local providers.

Supply Nation (formerly the Australian Indigenous Minority Supplier Council)

<http://www.supplynation.org.au>

- Your organisation may consider becoming a member of Supply Nation (SN) and elect to consider indigenous suppliers on the SN database as part of market analysis.

Social Traders

<http://www.socialtraders.com.au>

- Social Traders hosts events and carries out a range of activities to raise awareness about social enterprises and their benefits. Procurement practitioners could attend these events and investigate opportunities to engage with these suppliers.

Victorian Council on Social Service (VCOSS)

<http://www.vcooss.org.au>

- VCOSS helps raise awareness on social disadvantages. They can help organisations by providing evidence- based research and reports on policy issues.

More information

Related documents and templates are available on the HSV website.

Disclaimer

The information presented in this document is general in nature and based on HealthShare Victoria's interpretation of the *Health Services Act 1988 (Vic)* and any ancillary legislation and regulations in effect at the time, and should not be relied upon as legal advice. Please consider seeking professional and independent advice from your legal representative as to the applicability and suitability of this information and the legislation to your own business needs or circumstances.