

Briefing: The Secret to Doing Business with SMEs is to Do Business with SMEs

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Despite years of reform and billions in procurement spending, small and medium sized enterprises (SMEs) still win only about 20% of direct central government contracts, a figure virtually unchanged since 2019. [British Chambers of Commerce, 2024]

At Great Wave AI, we have seen this problem — and its solutions — first hand. Our company recently secured GenAI contracts with both the Insolvency Service and Warwickshire Police. In both cases, we navigated the complexity, cut through inertia, and proved that SMEs not only deliver — they outperform. This paper reflects both that experience and a wider truth: SMEs are not the risk. They are the opportunity.

The Current Position: Barriers Removed

Recent years have seen real progress in removing the structural hurdles that once excluded SMEs from public procurement:

- The Procurement Act 2023 has consolidated previous rules and introduced new flexibilities, allowing for more agile engagement with SMEs.
- Threshold exemptions now permit contracts under ~£140k to be awarded without following complex international procedures.
- SME friendly frameworks like G Cloud and Digital Outcomes and Specialists (DOS) have been demonstrably successful, with 45% of G Cloud spend and 82% of DOS contracts awarded to SMEs.
- Local government outperforms central government, directing 35% of procurement spend to SMEs — over triple the 11% seen at central level.

The infrastructure is there. What's lacking is the consistent application — and the leadership to demand it.

The Real Challenge: Leadership and Culture

Five cultural and political factors are now holding SME procurement back:

1. **Risk Aversion:** Civil servants continue to rely on incumbent “safe” suppliers, even for low value work. Ministerial reassurances have failed to shift this embedded fear of reputational risk.
2. **Lack of Accountability:** Despite reporting requirements, there are few consequences for departments that fail to meet SME targets. Transparency exists — but incentives and enforcement are weak.
3. **Framework Bypass:** SME rich procurement frameworks like DOS and GCloud are being ignored. Instead, departments opt for limited frameworks or bespoke contracts which lock out smaller players.
4. **Misaligned Priorities:** High risk, high cost mega projects often go unquestioned, while small scale SME pilots are scrutinised as if they pose outsized risk.
5. **Central Bureaucracy:** The Crown Commercial Service (CCS) has become bloated and costly, duplicating departmental roles while charging high supplier fees — disproportionately affecting SMEs.

¹ [Footnote](#) All quotes and statistics are from UK government departments, Parliament reports, or reputable organisations, including Cabinet Office releases, Public Accounts Committee findings, the British Chambers of Commerce SME procurement tracker, techUK commentary, and civilserviceworld.com reports.

Practical Upside of Working with SMEs:

- Faster turnaround of submissions, contracts, and decisions — because you're often dealing directly with CEOs or senior leadership, rather than deeply layered procurement teams.
- Greater flexibility, responsiveness, and collaboration.
- More attentive service and adaptability; SMEs tend to pivot more easily than large corporations.
- Stronger alignment with outcomes over process.

Departments that embrace SME partners often find the experience refreshingly efficient compared to the slow, bureaucratic machinery of larger suppliers.

What Must Change: From Rhetoric to Results

The solution now is not further reform — it is action. Political and departmental leaders must enforce the frameworks already in place:

1. Enforce sub-threshold engagement: Mandate monthly reporting of all contracts under £140k, tracking SME involvement. Escalate non-compliance to the Cabinet Office.
2. Tie accountability to leadership: Make SME procurement a leadership metric for Permanent Secretaries and link performance to departmental funding.
3. Mandate framework use: Make SME-friendly platforms (G-Cloud, DOS, etc.) the default procurement routes. Any deviation must be justified at senior level.
4. Shift the narrative: Celebrate SME success stories. Recognise and reward procurement teams that take risks, pilot SME solutions, and break with the status quo.
5. Right-size CCS: Cut supplier levies and refocus the Crown Commercial Service on enabling, not obstructing, SME innovation.

Key Messages

- **The UK's legal and structural procurement reforms have succeeded.**
- **Yet SME access remains low due to entrenched culture and weak accountability.**
- **Real change now requires leadership, not legislation.**
- **SMEs offer speed, flexibility, and innovation — but remain underutilised.**
- **The simplest strategy is still the best: Do business with SMEs and the easiest way to do this is to use the sub-threshold provisions of the procurement act**

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