

# Go-Ahead's strategy and commitments for SMEs



**LOCAL  
EMPLOYMENT**



**SME  
SPEND**



**LOCAL  
SPEND**



*Go-Ahead*

**At Go-Ahead, we're focused on connecting communities and keeping cities moving. Small and Medium-sized enterprises form the backbone of our society, providing livelihoods and services to thousands of people every day.**

**It is vital now more than ever to focus on working more with Britain's smaller companies. If we are to play our part in rebuilding the economy in the wake of the pandemic, SMEs need the opportunity to supply to bigger businesses, to grow and to innovate. That's what this strategy is about.**

Go-Ahead published the transport sector's first sustainable procurement charter in 2019. This outlined our priorities in our supply chain and included SMEs as an area of focus.

This document is supplementary to the charter and provides the detail behind that SME focus, outlining the following three areas:

- **1. Current SME spend in our bus division and rail companies**
- **2. SME targets to which we will hold ourselves accountable**
- **3. Our plan to achieve the targets**

The Williams-Shapps "Plan for Rail", published in May this year, highlighted the importance of SMEs for the rail industry. It reinforced the Government's continued commitment to increase spend with SMEs.

Across bus and rail, we spend about £2.5 billion a year within our supply chain. We know we can make a big difference to the communities we serve by increasing our proportion of spend with SMEs, especially those local to our operations.

Working with local SMEs will not only support the economy and communities, but benefit passengers directly through responsive and innovative local goods and services.

If you are an SME reading this and feel you can deliver benefit to the Go-Ahead Group, do watch this space. Later this year, we will be publishing tendering pipelines, as well as a guide on how to work with Go-Ahead.

***Elodie Brian***

Chief Financial Officer

## Contents

- 2** Go-Ahead corporate strategy on a page
- 3-4** Baseline SME performance
- 5-6** SME targets
- 7-10** Our plan to achieve the targets
- 11-12** Our strategy in action



## Go-Ahead corporate strategy on a page

Our corporate strategy has three core pillars:

- **1. Protect and grow the core**
- **2. Win new bus and rail contracts**
- **3. Develop for the future of transport.**

Our entire supply chain, both current and in the future, has a crucial role to play in delivering Go-Ahead's strategy. We see our suppliers as a major source of competitive advantage and contributor to each of the three pillars. Benefits could come from transformative technologies or from suppliers which deliver a high-quality and responsive service for our customers. The more

we increase SME opportunity and the number of suppliers competing for our contracts, the stronger our delivery against the three pillars will become.

SMEs are also more likely to provide goods and services local to our operations. We know locally procured goods and services have a positive impact on local employment and, in some cases, the environment through reduced carbon impact. 'Stronger Community' and 'Cleaner Environment' are two of our five main business responsibilities. They underpin our three pillars and further highlight the critical role SMEs play in delivering our strategy.



## A WORLD WHERE EVERY JOURNEY IS TAKEN CARE OF

We generate value for our investors, by building a sustainable business which meets the needs of our customers and communities

### OUR VISION WILL BE DELIVERED BY OUR THREE STRATEGIC OBJECTIVES



#### PROTECT AND GROW THE CORE

Safeguarding and developing our core bus and rail businesses through our three operating divisions



#### WIN NEW BUS AND RAIL CONTRACTS

Securing contracts in the UK and using our core experience to expand into international markets



#### DEVELOP FOR THE FUTURE OF TRANSPORT

Using our skills, knowledge and assets to explore new growth opportunities for the future of our business

### WITH RESPONSIBILITY AS A BUSINESS FOR SAFER AND...



#### Better teams

We are committed to attracting, developing and retaining the best talent and driving high levels of motivated and engaged colleagues.



#### Happier customers

Our customers are at the heart of what we do. We aim to provide high levels of customer service across all our operations.



#### Stronger communities

We enable communities to flourish by providing access to education, retail and employment allowing people to stay connected.



#### Smarter technology

We invest in technological solutions and utilise our market leading retail capabilities to drive market leading retail capabilities to drive growth and innovation.



#### Cleaner environment

We promote the benefit that public transport has over private in improving air quality and strive to reduce any negative impact we may have on the environment.

### OUR APPROACH IS UNDERPINNED BY OUR CORE BELIEFS AND ATTITUDES



#### We believe in

- Trusting people
- Building relationships
- Being can do people
- Being one step ahead



#### We are

- Accountable
- Collaborative
- Down to earth
- Agile

## Baseline SME performance

### SME classification:

The UK definition, turnover under £25.9 million and/or under 250 employees.



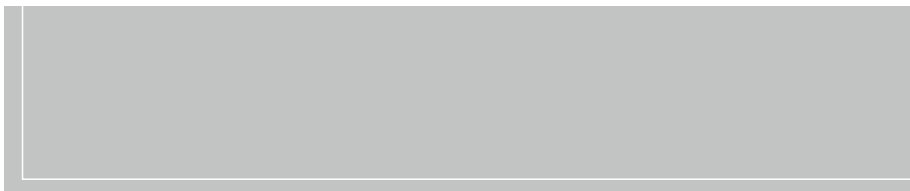
### Context on the baseline

Rail and bus operator spend is heavily skewed towards a few high spend categories. These categories are too large or too risky to be placed directly with SMEs and have been removed from the baseline and target calculations. Once removed, we consider the remaining spend to be influenceable and a better reflection of our SME performance.

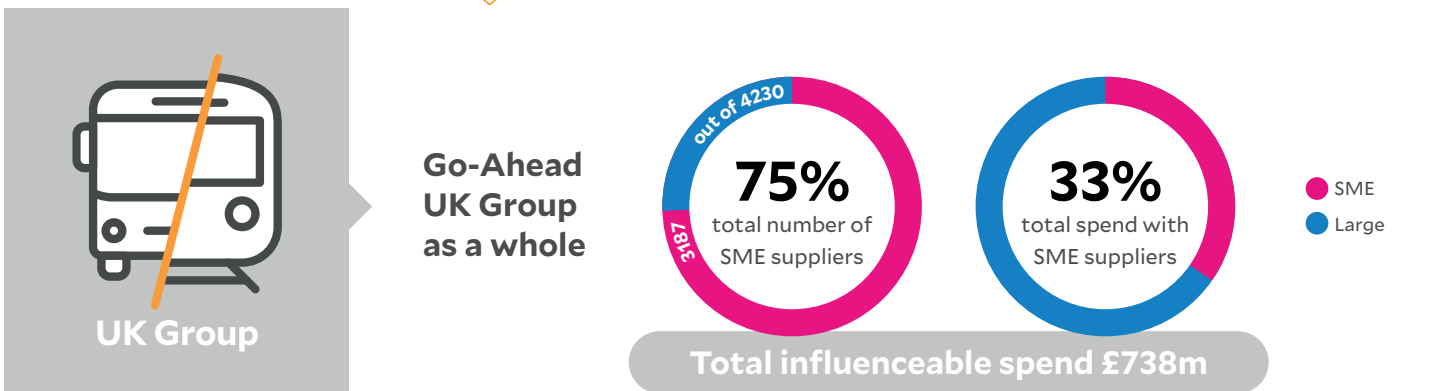
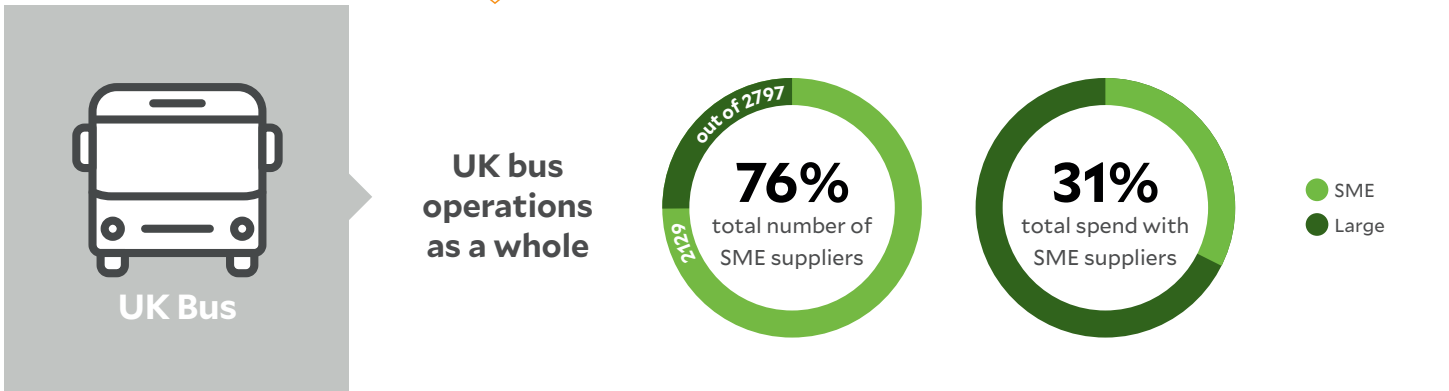
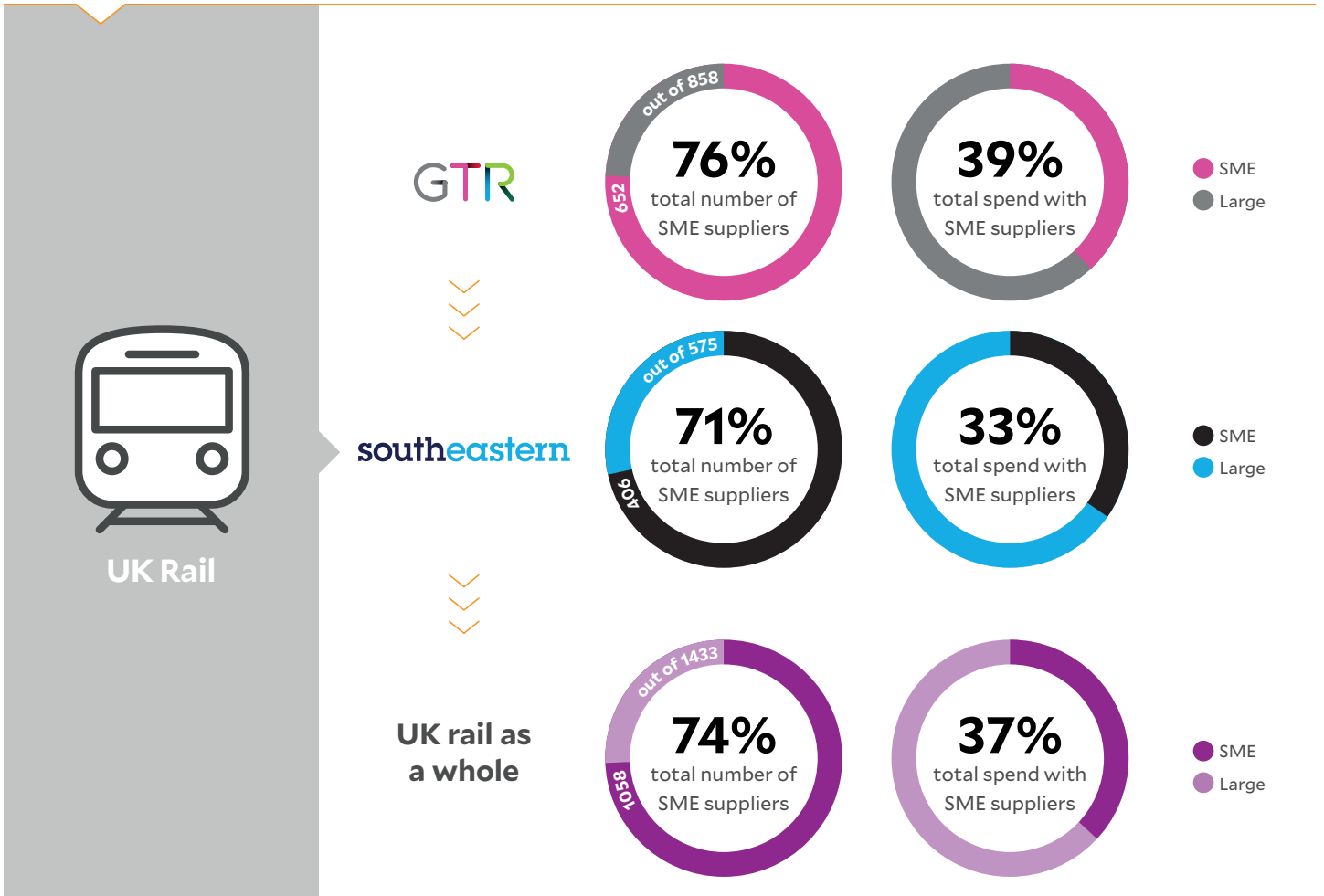
- Within our bus operations, non-influenceable spend categories are considered to be new bus manufacture, fuel, high value capital expenditure and business rates.
- Within our rail operations, non-influenceable spend categories are considered to be new rolling stock, long term rolling stock maintenance contracts, fuel, rolling stock lease charges, regulatory requirements, high value capital expenditure, finance agreements and business rates.

The charts following illustrate Go-Ahead's 2020 baseline SME performance. The performance data tracks direct suppliers to Go-Ahead and removes all non-influenceable spend.

In summary, 3 in every 4 suppliers across the Go-Ahead Group were SMEs. Of the influenceable spend, we spent £247m with SMEs and £491m with large companies. We believe this represents a strong baseline against which we can further improve.



## Baseline SME performance





## SME targets

**There are different ways to set SME targets. Some organisations base targets on spend – with a focus on achieving the government’s goal of 33% of all spend directly or indirectly with SMEs.**

Others report on a percentage of SMEs within their overall supply chain. We consider both measures effective at incentivising change and believe a target for each is the optimal way of maximising SME opportunity.

Furthermore, we believe two further metrics should be specifically tracked:

- 1. The annual number of innovative SMEs who can change the way we operate. This means investigating and trialling transformative ideas or technologies that help us rethink how we deliver aspects of our business.
- 2. The total number of our direct contracts which include challenging SME spend and reporting commitments. Therefore, where appropriate, our tenders will incentivise ambitious contractual SME spend targets which improve year on year and also reporting commitments. Indirectly, this will have a further positive impact on the local communities we serve. Where we incentivise SME spend further down the supply chain, we will attribute that spend as contributing towards our spend targets.

### Large companies remain vital to Go-Ahead

Large suppliers will always have a vital place in our supply chain. Whilst we may carve out some low spend categories specifically for SMEs, on the whole and for nearly all our requirements Go-Ahead will continue to award contracts to the companies who are best placed to deliver, irrespective of size.

This strategy is not about removing large companies for the sake of improving our SME statistics. Rather, we want to increase opportunities for SMEs to compete with large companies and ensure we are selecting our suppliers objectively and based on the widest possible supply base.

That way we can be confident that we are delivering best value to our customers. With increased SME opportunity and a positive mindset towards the capabilities of SMEs, we are confident we can naturally improve our SME performance versus our baseline. Where a large company wins the business, in appropriate cases, we will look to incentivise spend with SMEs within their supply chain, extending our influence further.



## Go-Ahead SME targets

### 1. Rail targets as a whole

TARGET PER ANNUM	JAN-DEC 2021	JAN-DEC 2022	JAN-DEC 2023
Percentage of influenceable UK spend direct to SMEs	37%	38%	39%
Percentage of UK direct suppliers who are SMEs	74%	75%	76%

### 2. Bus targets

TARGET PER ANNUM	JAN-DEC 2021	JAN-DEC 2022	JAN-DEC 2023
Percentage of influenceable UK spend direct to SMEs	31%	32%	33%
Percentage of UK direct suppliers who are SMEs	76%	77%	78%

### 3. Go-Ahead UK Group targets

TARGET PER ANNUM	JAN-DEC 2021	JAN-DEC 2022	JAN-DEC 2023
Number of transformational “step change” innovations or technologies explored with SMEs	2 per annum	3 per annum	3 per annum
Percentage of influenceable UK spend direct to SMEs	33%	34%	35%
Percentage of UK direct suppliers who are SMEs	75%	76%	77%
Number of direct contracts with annual SME spend targets & reporting commitments	2 in total	4 in total	8 in total

## Our plan to achieve the targets

### 1) Strategy

#### a. Board objectives:

SME targets will be flowed to each of our operating companies.

#### b. Sustainability reports:

Annual sustainability reports for each bus and rail operating company from 2022 will include SME case studies covering the preceding year. These case studies will demonstrate the benefits that SMEs can bring.

#### c. The Billion Journey Project – focussed search for transformative SME technologies:

Innovation programme with the goal of finding best in class suppliers to address Go-Ahead's strategic priorities. This may take the form of structured innovation labs and / or challenge statements for selected existing suppliers, depending on our innovation focus at any given time. We will continue to take pitches from external SMEs outside of formal innovation projects and feed these into our innovation board for consideration. This programme is integral to our innovation targets.

#### d. One-off supplier development:

In certain limited circumstances where competition is constrained or Go-Ahead identifies a company with aligned values and the complementary skill sets in an area of strategic importance, we may choose to develop their business through our time and expertise. These schemes will likely be targeted at SMEs.





## Our plan to achieve the targets

### 2) Procurement process

#### a. SME Champion Group:

The Heads of Procurement at Go-Ahead Group, GTR and LSER will be accountable for maximising SME opportunity through the procurement process.

#### b. Procurement strategies:

Considerations might include selecting only SMEs for under legal threshold procurements or breaking down the work into procurement “Lots” to maximise opportunity. If we cannot assist SMEs in becoming direct suppliers, on a case by case basis we will incentivise our direct suppliers to maximise spend with SMEs in the supply chain and ensure this is captured on contract.

#### c. Market engagement:

Go-Ahead will change its procurement policy to require at least one SME is invited to market engagement sessions, which are a critical channel for disrupting the standard way of thinking about a requirement. The SME champions will enforce this policy for influenceable spend and as far as is practical.

#### d. Pre-Qualification Questionnaire (PQQ):

Best in-class procurement includes being proportionate with requests for information and not creating barriers to entry through process. Go-Ahead will create template PQQs that can be selected depending on the risks inherent within

the supply category. The “light touch” PQQ will be used for low risk categories to minimise the burden on SMEs who typically would not have the resources to complete an extensive PQQ. As a result, we anticipate more SMEs making it through to the tender stage.

#### e. Template contracts:

Go-Ahead recognises large formal contracts place a burden on strained SME resources and slow the innovation process. We have created a short form template contract to replace our standard terms and conditions that will be used for low risk service and goods contracts. The template is written in plain English. Our SME champions will ensure the template is used appropriately and challenge the use of our long form contract.

#### f. Commitment to provide detailed feedback:

We commit to provided rich feedback to unsuccessful SMEs to assist with improving their approach to tendering. The reasons for SMEs being unsuccessful will be reported to the SME Champion Group, who are empowered to agree changes to policy or processes as a result. We recognise barriers or structural impediments within our processes may not always be visible to us and we must continually assess our performance and areas for improvement. Therefore, we will encourage the feedback session to be two way.



## Our plan to achieve the targets

### 3) Communication of opportunities

#### a. 'How to do business with Go Ahead' document:

By December 2021 we will publish an online and downloadable document that explains how a company can work with Go-Ahead or our operating companies. It will include the industry qualification systems we use, how to register and also where we may advertise opportunities. It will also explain the PQQ process we use and the key risks we look for along with practical tips on how to address these through certification or training.

#### b. Identify SME only spend categories:

We will undertake an analysis of all our influenceable spend categories with a view to identifying specific categories for SME only spend. This is contingent on their being a quality SME supply base and the value of procurement being under procurement law thresholds. Once identified, we will make these opportunities available on an exclusive basis to SMEs.

#### c. New business launch event:

Whenever Go-Ahead wins or launches a completely new UK bus or rail operation, we will hold a launch event and invite local businesses to attend. The launch event would describe the Go-Ahead business and any upcoming opportunities for SMEs. In addition, a pre-recorded event would be held which would be shared with any interested parties who could not attend.

#### d. SME of the year:

Go-Ahead holds annual sustainability awards where we assess submissions against the Go-Ahead sustainable procurement charter and select companies to the annual event. Naturally, these events tend to attract the largest suppliers who have sustainability teams. To increase opportunity, we will create an "SME category" with submissions encouraged from SMEs who support our businesses. The SME category will focus on innovations and performance improvements and will not necessarily focus on traditional sustainability aspects, such as "Climate Action" or "Good Health & Wellbeing". We anticipate the publicity from this event will support the chosen SME further and also enhance our culture of providing opportunities.

#### e. Published pipelines:

We will commit to publishing the goods and services we expect to tender once per annum on our website, starting December 2021. This will be an 18 month forward look across our businesses. It will allow suppliers a chance to plan ahead and consider innovations that may add value. This may be particularly useful for SMEs with constrained resources. Early publication of our pipeline also enables our suppliers to match their innovation developments to our anticipated timescales.





## Our plan to achieve the targets

### 4) Use of third parties to increase visibility of Go-Ahead requirements

#### a. Use of third parties:

The continued use of industry systems to select suppliers or using historical suppliers is not always the optimal approach because it limits our chances of accessing a wide pool of suppliers and delivering best value. Therefore, we will continue to use third parties to help us find SMEs who could address our strategic needs. This includes through the Billion Journey Project innovation labs or other schemes initiated by our operating companies. The results will assist Go-Ahead to deliver on its “Step Change” innovation targets.

#### b. Chambers of commerce connections:

Where our businesses operate in a region that has local business representation through a chamber of commerce, we will actively seek to make contact and share detail on any suitable upcoming requirements. Our aim is to increase visibility, particularly to local SMEs who operate in the area we serve.

#### c. Local advertising portals:

Where appropriate, depending on the requirement and risks involved, we will seek to advertise in places where our bus and rail operators have local tender opportunity boards. The intention will be to find local SME partners who can deliver the best quality service to our customers with minimal carbon outlay and maximum local employment.





## Our strategy in action

### Infrastructure works for our rail companies

As a result of our emphasis on SME opportunity, Go-Ahead placed a new infrastructure works framework contract in 2020 with several suppliers. Unlike previous frameworks, through the procurement strategy we created a “low spend category” for the suppliers who lack the size and experience to take on the large and complex infrastructure projects. The intent was to ensure we maximised SME opportunity and found those small and responsive local suppliers who could meet our often-demanding timescales for train station works.

Go-Ahead and its businesses now have access to a wide pool of qualified, skilled and responsive suppliers, large and small, which are commissioned dependent on the risks, location and expertise required. To date, Go-Ahead has spent over £5m with SMEs through the framework, a high proportion of which would have ordinary gone direct to large companies.





## Our strategy in action

### The Billion Journey Project innovation labs

The Billion Journey Project innovation labs are run on an ad hoc basis when Go-Ahead has clear and specific challenge statements to address. Over previous cohorts, the Billion Journey Project was considered one of the largest transport proof-of concept programmes in the UK.

We invite start up and small companies to work with our bus and rail companies to trial their product across the Group. It provides a chance for these small businesses to have unparalleled access to industry experts and advice on how their product can be delivered across the Group.

Successes include Passenger Assist – a ‘life-changing’ app for disabled transport users and AirPortr – who allow airline passengers to check in their baggage from home when taking the train to the airport. In 2020, Go-Ahead collaborated with The Billion Journey Project member CitySwift to produce ‘When2Travel’ technology, which shows passengers how busy their buses are, with the aid of artificial intelligence.





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