

smiling but **SINKING**

A study into supplier
experiences of competitive
tendering and dealing with
procurement



CONTENTS

Preface - Why this, why now	3
Executive Summary	5
Study Results Part 1	
Tender Timelines and Deadlines	9
3 Quick Wins	11
Study Results Part 2	
Tender Response Requirements	13
3 Quick Wins	15
Study Results Part 3	
Customer Feedback	17
3 Quick Wins	20
Appendix 1	21
About the Author, Robyn Haydon	22

WHY THIS, WHY NOW

Are you a progressive and forward-thinking buyer who is interested in getting more innovation from suppliers, both current and prospective?

Would you like your suppliers to throw their very best efforts behind helping you to compete better, or do business better?

Do you want better engagement, and stronger relationships with your suppliers, which delivers better value to your internal stakeholders?

Then this report is for you.

To change any relationship for the better, we first need to consider our own part in it. This means looking at our own habits and patterns, and the reaction they invite from the other party.

This is true even in buyer and supplier relationships, where buyers hold the purse strings and therefore, the majority of the power. While this power dynamic hasn't changed much in the last 20 years, other variables in the relationship definitely have.

You've probably noticed that your business and industry is being buffeted by technological disruption that is affecting how you compete or do business. At the same time, you're experiencing an unprecedented level of scrutiny through social media, or through increased regulation and reporting requirements.

Suppliers can help you with all these problems, if only you will let them.


This report aims to lift the lid on the very first transaction that sets the tone for how buyers and suppliers do business together – the competitive tendering system.

Sure, there are improvements that can be made on both sides of the fence.

But my hope is that this report will give buyers some insights into how they can change their organisation's approach to buying goods and services through competitive tendering, in a way that helps you to generate goodwill, work more collaboratively and effectively with suppliers, and get better results for your business.



ROBYN HAYDON



“To change any relationship for the better, we first need to consider our own part in it. This is true even in buyer and supplier relationships, where buyers hold the purse strings and therefore, the majority of the power.”

- Robyn Haydon

EXECUTIVE SUMMARY

All is fair in love and war. Except when the playing field is stacked against you.

That is the prevailing view of suppliers who need to bid for business through competitive tenders, and who are finding them an increasing drain and a massive strain on their business.

I have been helping companies win competitive tenders for the best part of 20 years. During that time I've heard every complaint it is possible for a supplier to make about competitive tenders, and dealing with procurement.

If I had a dollar for every one, I could be lying on a beach in the Bahamas by now instead of writing this report.

But what does it really matter if suppliers don't like the competitive tendering system?

After all, competitive tendering has been around for a long time now. And it's working - to a point.

So you might think, that's just the way it is. If they want my business, suppliers just have to suck it up and deal with it. If it ain't broke, why fix it?

The problem is that the competitive tendering system is not working as well as it should be. And for the most part, you're not getting to see exactly where it's broken, because suppliers are too scared to tell you.

Suppliers might complain to me (and to each other) but they don't want to complain to you. They're trying to win your business. They feel they can't afford to rock the boat.

So they smile and do what you ask. And in the meantime, while they're smiling, some of them are sinking.

And this has implications for the level of engagement you'll get from your suppliers, the insights they'll give you into how to compete better or do business better, and the long-term value you could be deriving from your supplier base, if only you could hear these issues – most of them preventable – and actually do something about them.

Realistically though, gripes and complaints from suppliers aren't going to change anything.

So I set out to discover what suppliers really think of competitive tenders and dealing with procurement. I set up a survey, and 36 of my clients and industry contacts responded.

All of the respondents were employed in organisations that need to pitch for business via competitive tenders in Australia. The profile of survey respondents can be found at Appendix 1.

I ran this study to understand the attitudes and experiences of suppliers to competitive tendering and dealing with procurement, because to the best of my knowledge, no one has yet pulled together all of these anecdotal complaints into a cohesive report that attempts to sort the gripes from the genuine problems, and to suggest improvements to the competitive tendering system that will benefit everyone - both buyers and suppliers.

The purpose of this report is to help buyers to understand what suppliers are really struggling with in the competitive tendering system, and to take the first steps to fix it.

It may be your party, but it is your suppliers that will make it happen.

Sure, suppliers are vying for your business, but the level of discretionary effort you will get from them is up to you.

Does your request for tender challenge them to use their expertise to help you compete better or do business better? Or is it just asking them to check some boxes?

In developing the survey, I was interested in understanding supplier experiences of three key touch-points in the competitive tendering process:

1. The timelines they were given to respond to competitive tenders,
2. Their experience of buyer's tender response requirements, and what they need to submit within those deadlines, and
3. Their backend experience of the feedback they received from buyers on their tender submissions (whether successful or otherwise), and its usefulness for continual improvement purposes.

Supplier responses show that these experiences are overwhelmingly challenging and difficult, mostly in ways that are entirely preventable.

Tender timelines are half what suppliers believe they should be. Response requirements are increasing, not shrinking, within these deadlines, and the scope of work is often vague and under-defined. Suppliers regularly receive no feedback on their tender submissions, despite all the effort that goes into them.

These problems eventually have an impact on you, the buyer, by creating frustration and disengagement on the part of potential suppliers. **You'll get less insight, less innovation, and less value for money – the opposite of what you set out to achieve.**

In the report, suppliers' survey responses are discussed in more detail, along with three quick wins you can implement to resolve the major problems in each area – tender timelines, response requirements and giving feedback.

This includes a summary of three things you can stop, start and consider doing right now, which will improve the way your organisation engages with the suppliers who tender for business with your organisation.

As one respondent said, "Tendering is an expensive, time consuming process that increases business overheads and ultimately the final cost of products or services. It's time to redesign the process to reduce the cost and time to businesses and taxpayers."

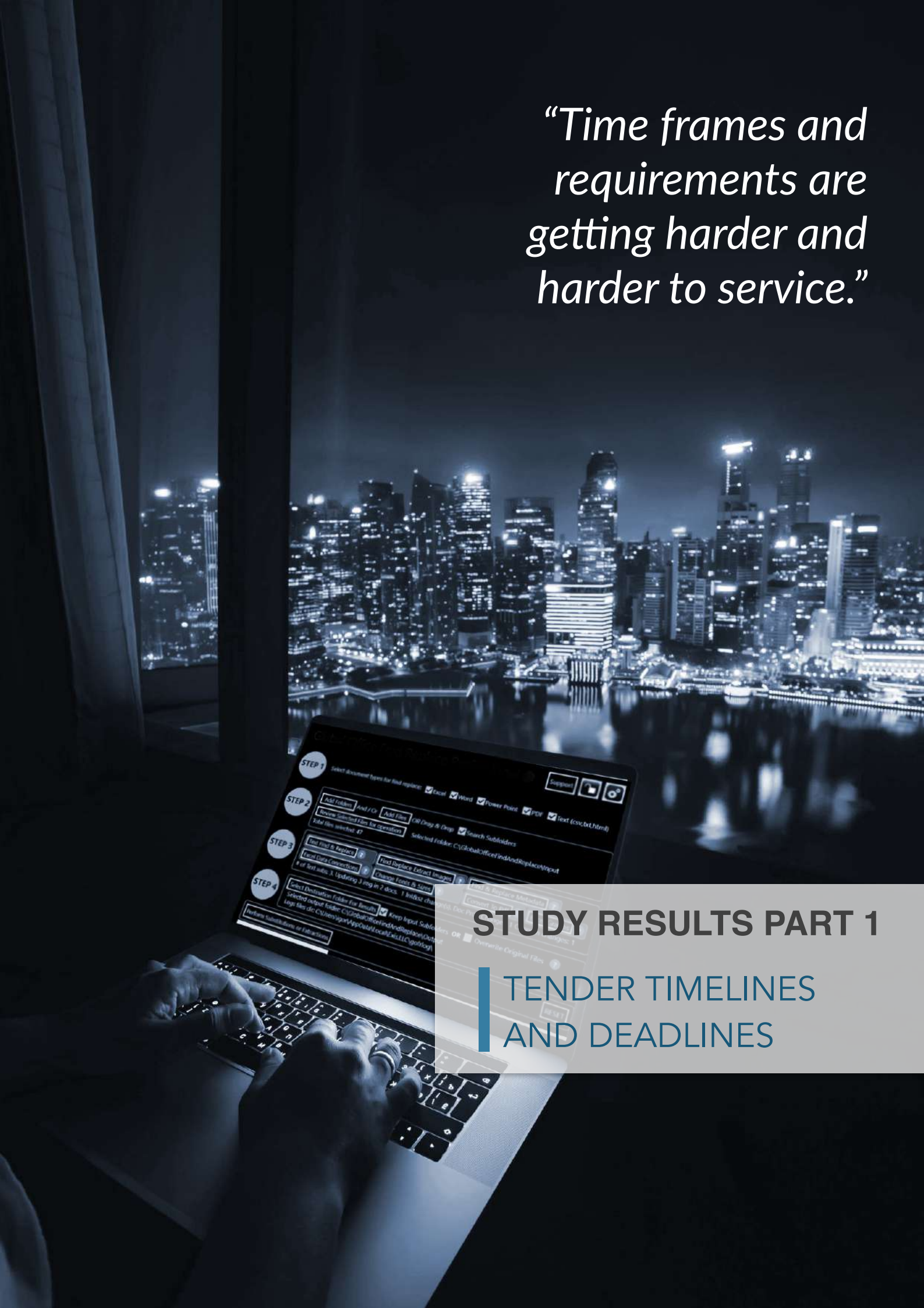
Understanding how things are on the supplier's side of the fence will help you to break down the barriers between your business and the suppliers you depend on, and to get better quality inputs that will help your business to compete better, do business better, and thrive.

I hope that you will join me in having the conversations we need to have to make this system better for everyone.

“Time frames and requirements are getting harder and harder to service.”

STUDY RESULTS PART 1

TENDER TIMELINES AND DEADLINES



TENDER TIMELINES AND DEADLINES

Tender timeframes have dramatically decreased, and suppliers are now given only half the time to respond that they believe they need. At the same time, buyers' information requirements either haven't changed, or are increasing, while deadlines are often rubbery and prone to being extended.

About a decade ago, the most common response timeframe across industries to respond to a competitive tender was about four weeks, but this has changed.

Most survey respondents said that they are now given two weeks to respond to a tender in their business or industry (52.8%), while almost the same percentage (50%) said that they believe four weeks is a reasonable response timeframe.

97.6% say that tender deadlines are getting shorter, while response requirements either have not changed or have increased.

"We need longer time frames between receiving the RFP documents and the tender closing; 3 days is NOT ENOUGH TIME to pull together a 16 page response when you're working on 6 others at the same time..."

"There is little lead up and a short time to complete - means it can be difficult to resource to deliver on the best response. Also the effort required for small projects can be the same as a large project."

66.6% of respondents also said that in the last 12 months, they received at least one tender with an impossibly short deadline.

75% of suppliers are "often" or "very often" seeing a bottleneck of multiple tenders coming out from buyers in their market simultaneously, or at similar times, which also affects their ability to respond.

Suppliers are typically given two weeks to respond to tenders in their business and industry...

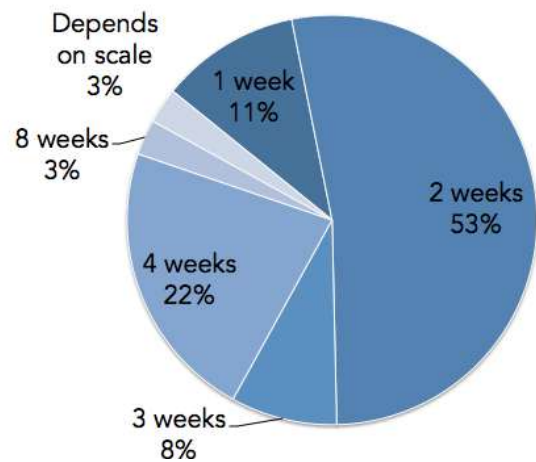


Fig. 1. Average tender response time-frame given in your industry

...while most believe that 4 weeks is reasonable.

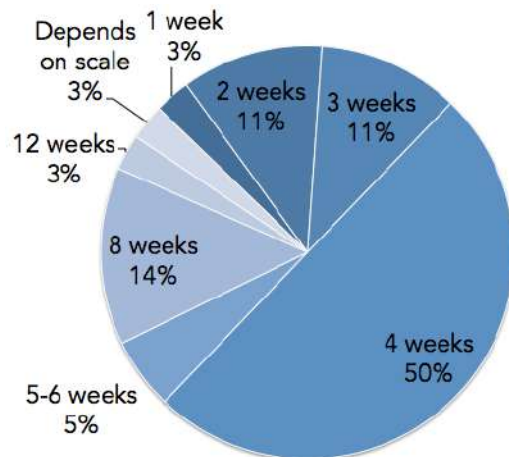


Fig. 2. What do you think is a reasonable time-frame to respond?

Shorter deadlines are putting pressure on suppliers to redeploy staff at short notice, and to significantly redistribute their internal workloads in order to respond. This affects their performance in existing projects and contracts, whether for you or for others.

30.6% of respondents said they had “very often” been forced to take staff out of their day jobs for a significant period of time when they were not expecting to, in order to cope with the demands of a tender. A further 38.9% said this had happened to them “often” in the last 12 months and only 30.6% said this had happened occasionally. Not a single respondent said that this never happened.

And we are not just talking about small businesses either. 63% of survey respondents were from large organisations with 200 or more employees, with the remainder evenly split between medium-sized organisations (50-200 employees) and small businesses fewer than 50 employees.

“Timeframes are a major problem, and they often ask more complicated questions and have more complex stated requirements than they really need or will end up with; the wish list is becoming more extensive and technical.”

A whopping 72.2% also said they had “often” or “very often” received a tender at a difficult time, such as the week before Christmas, with a requirement to respond over a holiday period or peak working period when they were short of resources.

“There is a consistent propensity to put multiple big tenders (that industry has been waiting on for months) out to market a week before Christmas and then want the responses back in the middle of January.”

What this means for buyers is that responding to tenders is increasingly becoming an administrative, rather than a strategic activity, for suppliers.

They’ll put junior people on the job of completing the paperwork in the timeframes you ask for, while the senior people who could provide technical insight or sweeten the deal commercially are simply too busy to be redeployed, or are not even there when you call for them.

TIMELINES AND DEADLINES

3 QUICK WINS



Stop issuing requests for tender at anti-social times, such as the week before Christmas, with a requirement to respond over a holiday period when suppliers are short of staff. Know the peak workload periods of your supplier's industry, and avoid issuing tenders at these times too.



Start your procurement earlier, giving you the opportunity to increase tender response timeframes. Most suppliers need double the time to respond to a tender than they are given, and when they are crunched for time, response quality will suffer. If you really can't start your procurement any earlier, shrink your response requirements to fit a shorter timeframe.

One respondent suggested a simplified two-stage format to reduce time in tendering – one with methodology and price, and the second (if shortlisted) to deal with any compliance matters.



Consider implementing a cross-industry working party of other procurement stakeholders your suppliers might do business. Use this forum to stagger tender releases to market and avoid bottlenecks that affect suppliers' ability to participate.

“It feels like you're jumping through hoops for the sake of jumping through hoops - let's cut to the chase and tender for the project without all the fluff.”

STUDY RESULTS PART 2

TENDER RESPONSE REQUIREMENTS

TENDER RESPONSE REQUIREMENTS

Vague, inadequate or confusing tender documentation comes at a cost to supplier response time and resources, and affects the accuracy of their submissions. Requests for scope clarification frequently go unanswered, or are answered too late to be useful, and duplicate or irrelevant questions continue to complicate the task of responding to tenders. At the same time, inflexible response formats are hampering suppliers' ability to present their solutions in a way that is clear, engaging and gives buyers all the information they are looking for.

The problem of deciphering and delivering on tender response requirements attracted some lively input from survey participants, and this is an age-old problem that doesn't seem to have improved very much in the 20-odd years that I have been observing the competitive tendering industry.

In the last 12 months, the majority of respondents (58.4%) said that they had "often" or "very often" found tender questions difficult to interpret and or answer. The remainder said that this was an issue for them occasionally.

More concerning, an even larger majority had "often" or "very often" seen poorly defined tender requirements that generated confusion among, and questions from, themselves or other suppliers.

As a result, 36.1% said that they had "often" or "very often" asked clarifying questions about a tender to the customer's nominated representative, only to receive no answer, or an answer that came too late to be useful. 50% said that this happened occasionally, and only 13.9% said that it had never happened.

A similarly large minority (41.7%) of suppliers said that they "often" or "very often" found that buyers put out multiple amendments and addenda to their tender documents, which in turn forced the supplier to re-work parts of their tender response.

The majority (55.6%) said that this happened at least occasionally, and only a tiny minority – 2.7% - said that this had not happened to them in the last 12 months.

75% of suppliers say they regularly receive tenders with poorly defined requirements

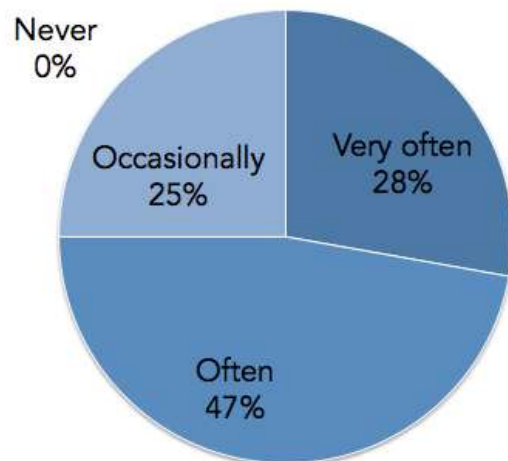


Fig. 3. How often have you seen poorly defined tender requirements?



Lack of scope clarity chews up response time and resources on both sides – and leads to substandard submissions.



It is also, unfortunately, still very common for suppliers to be required to answer questions that appear to have no bearing on their business or industry.

This may be due to buyers' re-use of tender documentation across multiple, but unrelated tender requests.

50% of suppliers said that this is the case occasionally, while 41.7% said that this happened to them "often" or "very often", the same number that also struggles to deal with a closely related issue; that of frequent tender amendments and addenda.

And sometimes, the tender documentation suppliers are given is just plain confusing.

One respondent found difficulty in "... having to cross reference between the tender

conditions, the response schedules and the contract to find all of the information - i.e. program dates are required in the response schedules, but the tender conditions say 'as per the contract' and you have to read 400 pages of the contract to find them in an annexure somewhere down the back - if they're there at all. Why not just put them in the tender conditions too?"

When asked what frustrates them the most about tender response documentation and requirements, responses fell into four main groupings:

1. Suppliers are frustrated by **inflexible response formats** preventing them from delivering clear, engaging and comprehensive submissions.
2. Supplier creativity is stifled by **requests that prioritise compliance**, while limiting the innovation that could have real value to buyers.
3. Suppliers are **being asked for repetitive or irrelevant information**, which reduces the time available for strategic work and thinking.
4. Suppliers need **faster responses to their requests for clarification**, so they can deliver the best solution to you.

TENDER RESPONSE REQUIREMENTS

3 QUICK WINS



Stop sending tenders into the market with vague or poorly defined specifications, including cutting and pasting old questions from generic tender documents. Including questions that have no bearing on the supplier's business or industry wastes your time, as you'll need to assess irrelevant material.



Start giving specific instructions about how you want individual questions answered. Explain the rationale for each question (why do you want to know?) and list what kind of information you expect in the supplier's response. Give examples if you can. This will greatly reduce the amount of time that suppliers need to spend interpreting and second-guessing what you are actually looking for. To help respondents better manage their time, one participant also suggested giving weightings to specific response sections in order to give an understanding of how much time and effort is required for each section.



Consider asking suppliers to complete compliance responses (such as financial data, insurances, OHS or quality) only once, if part of a panel, or only at shortlisting stage. Too much compliance paperwork is a barrier that prevents the supplier's staff from seeing the tender as an exciting opportunity to do business with you.

“Give us brutally honest feedback. Why were we not successful, which questions did we miss the mark on, and how could we improve next time?”

STUDY RESULTS PART 3

CUSTOMER
FEEDBACK

CUSTOMER FEEDBACK

Despite the significant effort they expend in responding to tenders, suppliers continue to get inadequate feedback to help them improve. There is a lack of feedback overall, and a lack of specific feedback beyond (too high) 'price'. When feedback is given, often it's considered generic, and in some cases, may even come across as if the buyer has not read the tender that they are providing feedback on.

One of the clearest messages to emerge from this survey is that suppliers want straightforward, honest feedback that they can use for continual improvement.

This isn't because they want to challenge your decision; it's because they know that competitive tenders are here to stay, and they are genuinely interested in how they can understand you better, and maybe have a chance of winning next time.

Buyers need to up their feedback game. It is common for suppliers to invest a lot of time and effort putting together a submission, but receive absolutely no feedback, despite requesting it.

In the past 12 months, 50% of suppliers said that they "often" or "very often" received no feedback, a further 36.1% said that they didn't receive feedback on some occasions, and only 13.9% had not had this experience.

As one respondent put it, "Any feedback would be great."

A solid majority (63.9%) had also been told they lost a tender because of their 'price', without any other useful feedback on their submission.

“

"The customer's lack of ability, training or understanding to see past the price box is frustrating. Surely in this day and age, pricing isn't the only valid value for money criterion?"

"The evaluation criteria is supposed to be founded on 'value for money' but it's often clear that they take the cheapest price, or close to the cheapest price. We price on the basis that we can't ask for unwarranted variations but it's clear our competitors price low and go after variations for everything, which often mean that their fee in the end is more than ours would have been because we priced the job correctly."

"Clients choose lowest priced tenders to avoid hard questions and the extra effort to justify value based outcomes."

"Eliminate price from the process; like the 'blind auditions' in the Voice – why not let the talent speak for itself before making a judgement?."

”

Too many tenderers are being told they lost because of their 'price', without any other useful feedback on their submission.

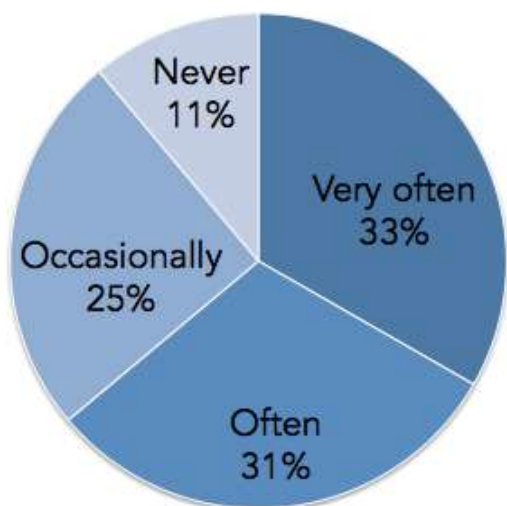


Fig. 4. How often have you been told you lost a tender due to "price" without any other feedback on your submission?

Suppliers were also asked to nominate what frustrates them the most about customers' decision-making process and feedback on their tender submissions.

'Lack of honesty' was the top answer, closely followed by lack of confidence that the buyer had actually read their submission, and then the absence of useable feedback.

Worryingly, 33.4% said that they had "often" or "very often" been asked what were meant to be 'clarifying questions' about their tender response, where it seemed obvious that the customer had not fully read or understood their submission. 47.2% said that this happened occasionally.

This demonstrates a lack of trust and belief in the fairness of the tendering process.

"They don't come back with questions or clarifications, but they misread or underestimate what we can or will provide."

"Some of the feedback we have received is laughable (e.g. we are only given positive feedback and then told "so... I guess the question is why didn't you get the contract?") or having the funding body giving feedback six months after the submission date, but they admit to not having looked at the document since then, and then they give feedback that doesn't make sense but say they are not allowed to look at your response so you can clarify!"

"(Customers) provide very little useful feedback to help improve your future performance and understanding of their risks and challenges, as they are paranoid about probity."

“Without feedback, submissions will never improve, which wastes time and energy for buyers as well as for suppliers.”

Looping back to the issue with shrinking deadlines, suppliers are being crunched at the implementation end too.

An whopping 83.3% had “often” or “very often” been informed of a tender decision later than the customer's published timetable, and all but 22.2% had been informed that they were successful in a tender much later than expected, giving them inadequate time to implement their solution as they had planned.

Here is what suppliers want when it comes to feedback on their tender submissions:

1. More specific and detailed feedback so they can continually improve.
2. More insight into your decision-making process.
3. A better understanding of where they sit compared with competitors.
4. More detailed and useful feedback about price.

CUSTOMER FEEDBACK

3 QUICK WINS



Stop giving generic or non-specific feedback that doesn't address the specific tender response that the supplier is asking about. Suppliers invest considerable time and effort in putting a tender together. Reading it thoughtfully, and giving them at least three things they can improve, will encourage them to try even harder for you next time.



Start making a firm commitment to honour every tender's decision timetable. If delays become unavoidable, communicate the reasons for delay to prospective suppliers, so they can adjust their expectations and delivery plans accordingly.



Consider upping your feedback game by publishing a live list of tender do's and don'ts for prospective suppliers, including common mistakes that suppliers make in tenders to your organisation.

Make this about your strategic, and not just your administrative, requirements and update it regularly. By providing overall feedback to all suppliers, in addition to specific feedback to individual suppliers, you'll help them better understand your expectations and preferences and give you better and more targeted submissions.

APPENDIX 1

Profile of survey participants

There were 36 participants in this survey. 53% of survey respondents were from commercial businesses; 31% from professional services firms; and the remainder worked in not-for-profit organisations that compete for block-funded government service delivery contracts.

63% were from large organisations with 200 or more employees, with the remainder evenly split between medium-sized organisations (50-200 employees) and small businesses fewer than 50 employees.

Almost half of the respondents said that they personally spend more than 50% of their time actively pitching for business through competitive tenders.

The supplier industries represented in the survey include:

- Architecture
- Business process outsourcing
- Consulting engineering
- Ecological monitoring services
- Health and human services
- Financial services
- Heritage and environmental consulting
- Hospitality and events management
- Industrial fabrication
- Infrastructure engineering and construction
- Landscape construction
- Logistics wholesaling
- Market research
- Mailing and fulfilment
- Quantity surveying
- Recruitment
- Safety services
- Software and information technology
- Textile manufacturing

About the Author

ROBYN HAYDON

Robyn is on a mission to break down artificial barriers that keep buyers and sellers from creating value together.

She has a passionate interest in helping buyers and sellers to deliver greater value to the planet, while making the most of their own finite resources – including energy and time.

For nearly two decades, Robyn has worked on the supplier side of competitive tendering, helping large organisations to grow and retain business that is won through formal submissions, competitive bids and tenders. Her clients have won and retained business worth hundreds of millions of dollars with many of Australia's largest corporate and government buyers.

Through this work, Robyn has gained a unique insight into the challenges that suppliers face in delivering real value to buyers through this method of procurement. She has also seen first-hand how the smart, senior people in supplier organisations have become disengaged from the competitive tendering process, seeing it as an exercise in completing paperwork rather than an exciting opportunity to help a customer.

Robyn is one of Australia's leading thinkers in the field of business development. She is the author of three books, including *Value: how to talk about what you do so people want to buy it*, *Winning Again: a retention game plan for your most important contracts and customers*, and the Australian Institute of Management bestseller *The Shredder Test: a step-by-step guide to winning proposals*. Robyn can help you with:

1. **Supplier Engagement**, a program to help you to reduce friction in your supplier relationships; to build trust and understanding; and to establish a platform for the co-creation of value with your suppliers that goes beyond simply saving costs. This program is available as a one-off keynote or workshop, as well as a comprehensive facilitation, training and coaching program.
2. **Competitive Tendering Usability Reviews**, which assess your competitive tendering documentation and processes, and suggest improvements that will help you save time and resources and receive better, smarter tender responses.
3. **Supplier Value Assessments**, a combination of supplier surveys and interviews designed to understand suppliers' experiences and level of satisfaction in working with your organisation, and identify ways that suppliers can create further value for you.

www.robynhaydon.com
61 3 9557 4585



“

*Better supplier
engagement leads to
better bids and better
value for money
solutions.*

”

www.robynhaydon.com
+61 3 9557 4585
info@robynhaydon.com