



Government procurement business survey 2014

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Introduction

The government spends approximately \$30 billion on goods and services annually. This activity is undertaken by close to 200 government agencies, 78 local authorities and 2500 schools. To deliver value for money and improve public services, the government needs to assess where procurement practices can be improved. It achieves this in part by engaging with the business community.

The Ministry of Business, Innovation and Employment (MBIE) conducted its inaugural business survey between December 2013 and February 2014. The survey was designed to create a baseline of government's interaction with businesses through its procurement activity. A total of 666 businesses participated in the survey, which will be repeated annually to measure movement in behaviour and feedback. Findings from the survey will inform the government and MBIE in particular, where it should invest its effort to lift capability and improve its work with the business community.

Definitions and key terms

Supplier size: To aid analysis of the survey, respondents have been divided into four groups according to their number of full time equivalent employees (FTEs). This division allows MBIE to draw some conclusions about the influence of size on supplier perspectives. These groups are defined as:

- 0-5 FTEs (micro)
- 6-20 FTEs (small)
- 21-50 FTEs (medium)
- 51+ FTEs (large).

Score: On a number of occasions in the business survey, businesses were asked to choose a value from a scale in response to a question. This will be referred to as the score given.

Average score: Unless otherwise stated, the average scores have been calculated excluding "other," "I don't know," or "not applicable" responses. In most cases, these responses account for less than 10 percent and cannot easily be given a value that adds meaning to the analysis.

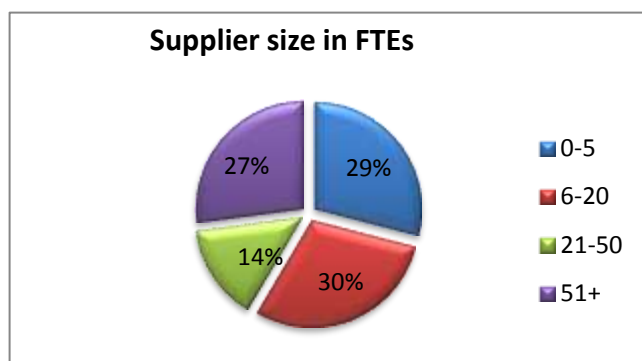
Business Profile

Supplier size

The majority of businesses that responded to the survey were micro to medium size.

Supplier origin

Respondents were based in a number of different international locations, but mostly New Zealand.



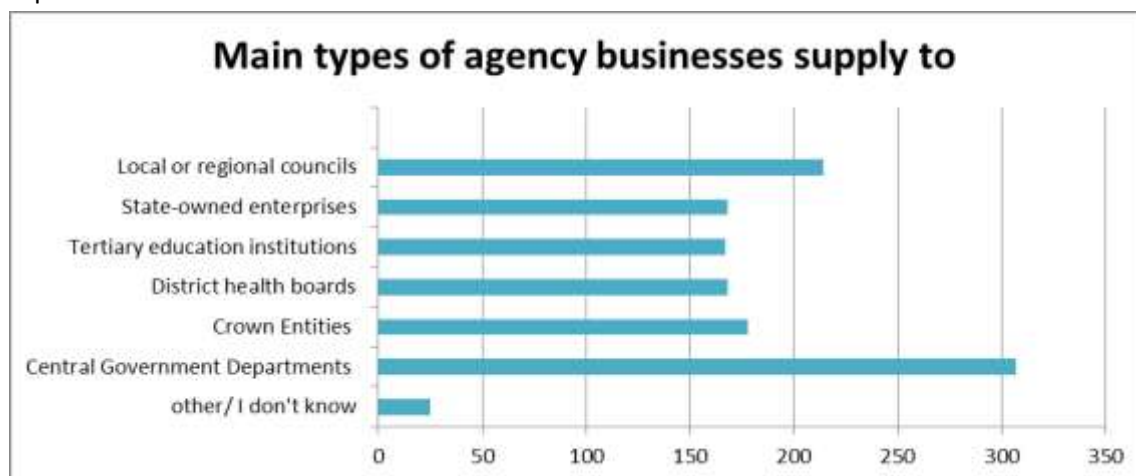
Comment

Despite the large proportion of businesses based in New Zealand, the sample taken does not appear to completely reflect New Zealand business demographics. The demographic statistics released by Statistics New Zealand in February 2012, noted that 91 per cent of enterprises had fewer than 20 FTEs¹.

By contrast, 41 per cent of businesses that participated in this business survey had upwards of 20 FTEs and large businesses of 50+ FTEs accounted for 27 per cent of respondents.

Agency type

431 businesses (of the 666 that responded to the survey) indicated the agencies they supplied. Respondents often supplied more than one agency type, but most supply central government departments.



¹http://www.stats.govt.nz/browse_for_stats/businesses/business_characteristics/BusinessDemographyStatistics_HOTPFeb12/Commentary.aspx

Supplier confidence and past success

The success rate of businesses surveyed was high. 73 per cent of suppliers that have previously bid for government contracts have been successful. The majority of businesses surveyed were confident that they could effectively bid for government contracts.

The influence of size

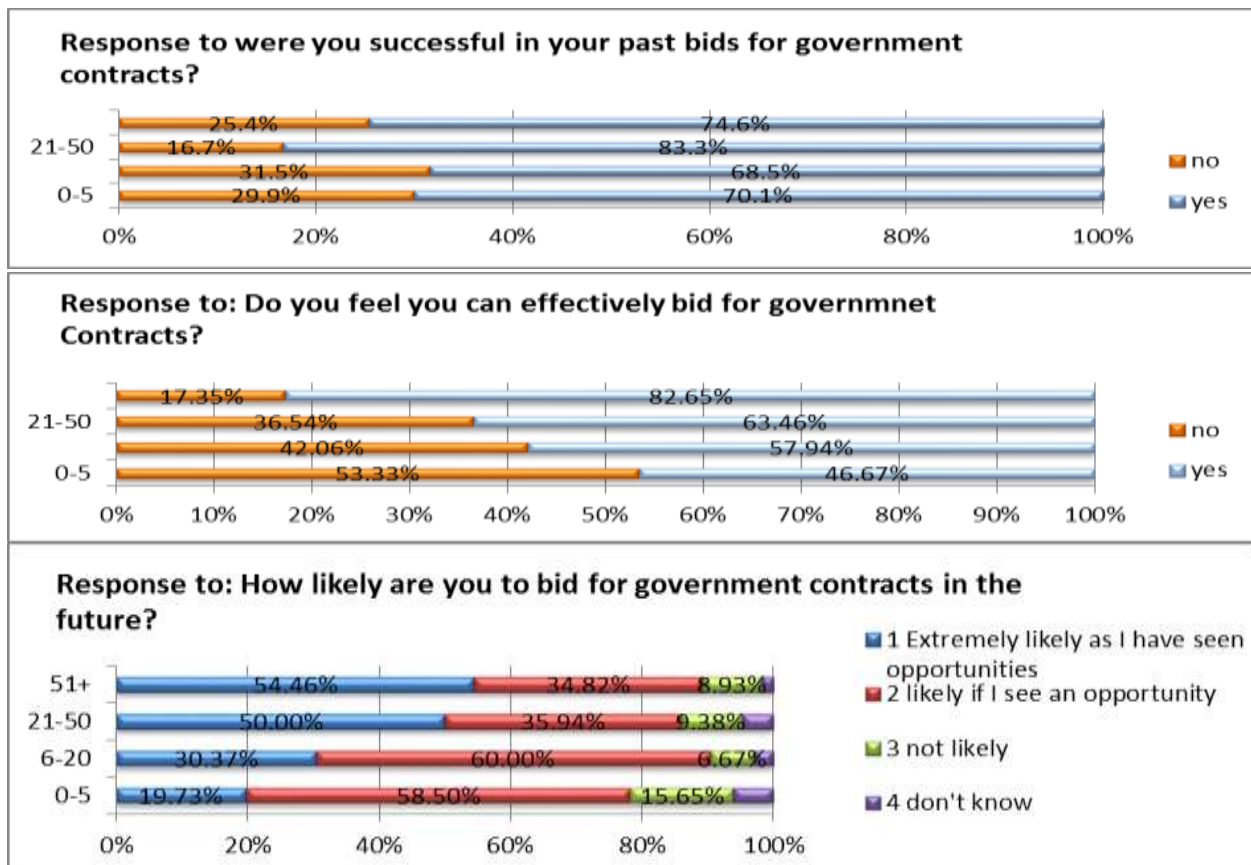
The larger a business, the more confident they were that they could effectively bid for government contracts. Large businesses also responded more often that they were extremely likely to bid for government contracts in the future.

However, of those who had competed for government contracts in the past, the most successful group were medium businesses. Large businesses were most confident about their ability to effectively bid for government contracts and extremely likely to bid for contracts in the future. However, they were not the most successful.

Large businesses were the only group that was less successful in practice, than their confidence measure suggests. While 82 per cent said they could effectively bid for government contracts, only 74 per cent had been successful with past bids. Every other group performed better than their confidence measure. Medium-sized businesses performed the best.

Comment

There does seem to be some divergence between respondents' perceptions of their effectiveness and their actual success rate. Businesses that had not previously bid for government contracts were slightly more positive about their ability to bid. However, this factor does not appear sufficient to account for the difference. It is important to note that suppliers were asked how they perceived their effectiveness. Their success or failure may be due to a number of other contributing factors.



The Supplier Experience

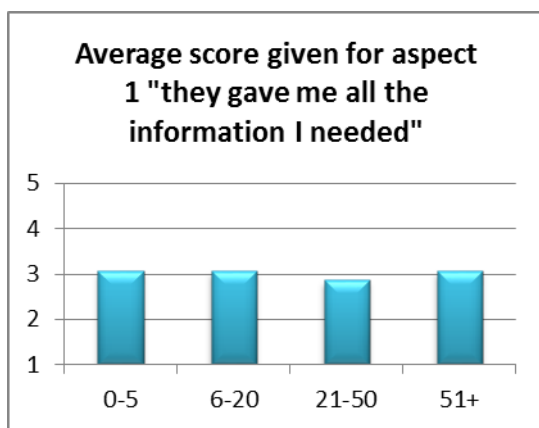
Quality of tender documents: *the influence of size*

Businesses had very similar views on the quality of tender documents, which they rated as poor to average for both aspects surveyed.

The average score given for aspect one (they gave me all the information I needed) was 3.03 out of a possible 5. The average score given for aspect two (the information was easy to understand), was 2.9.

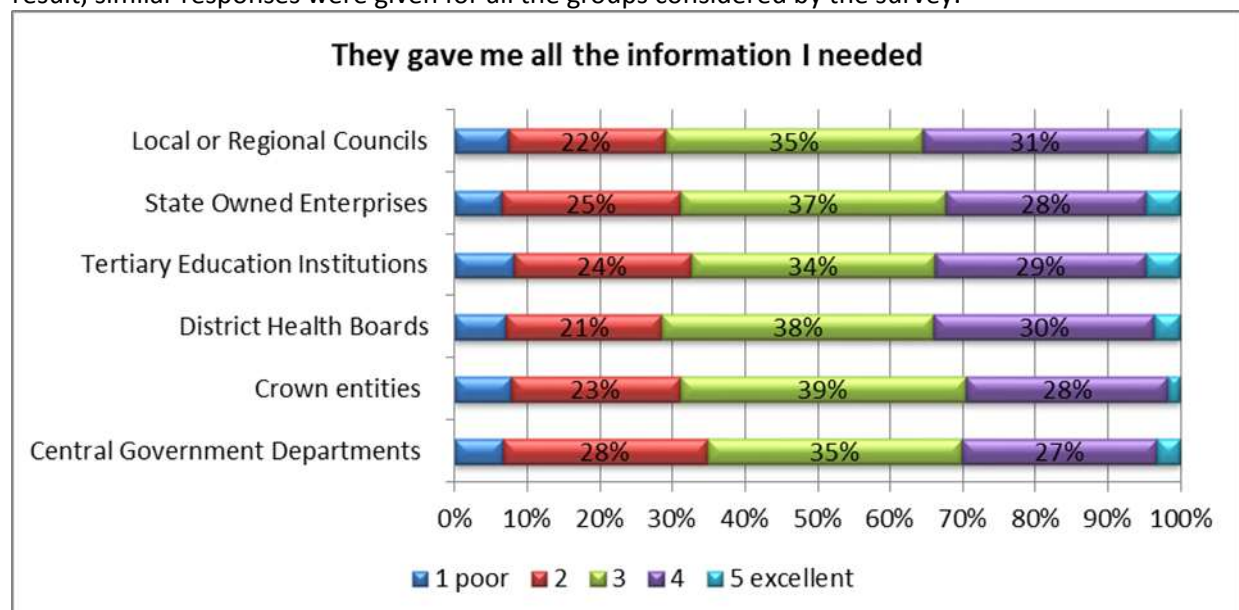
Businesses who supplied different agency types provided very similar responses. District Health Boards, local and regional councils performed marginally better by both measures, compared with central government departments. However the difference was very minor and does not appear statistically significant.

For aspect one, medium-sized businesses gave a lower score than other business groups. Despite being the most negative by this measure, this group was also the most successful in past bids for government contracts.

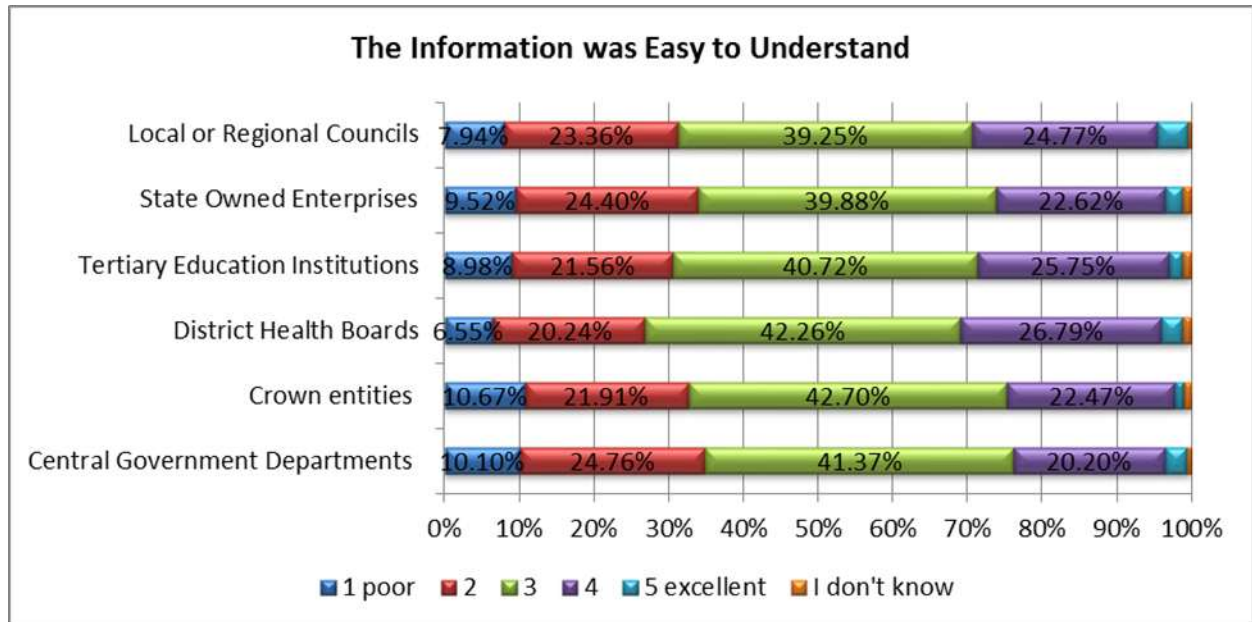


Quality of tender documents: *across different agency types*

Due to the high number of businesses that indicated they supply more than one type of agency cross referencing agency type with others factors results in double counting of respondents. As a result, similar responses were given for all the groups considered by the survey.



This similarity is evidenced most clearly when the average scores given by businesses, for each agency type, are compared. The average score given for aspect one of tender quality (they gave me all the information I needed) varied between 2.92 for Central Government Departments and 3.04 for Local and Regional Councils a difference of only 0.12 across the six agency types considered by the survey. A similar distribution applied to responses to the second aspect of tender quality (the information was easy to understand).



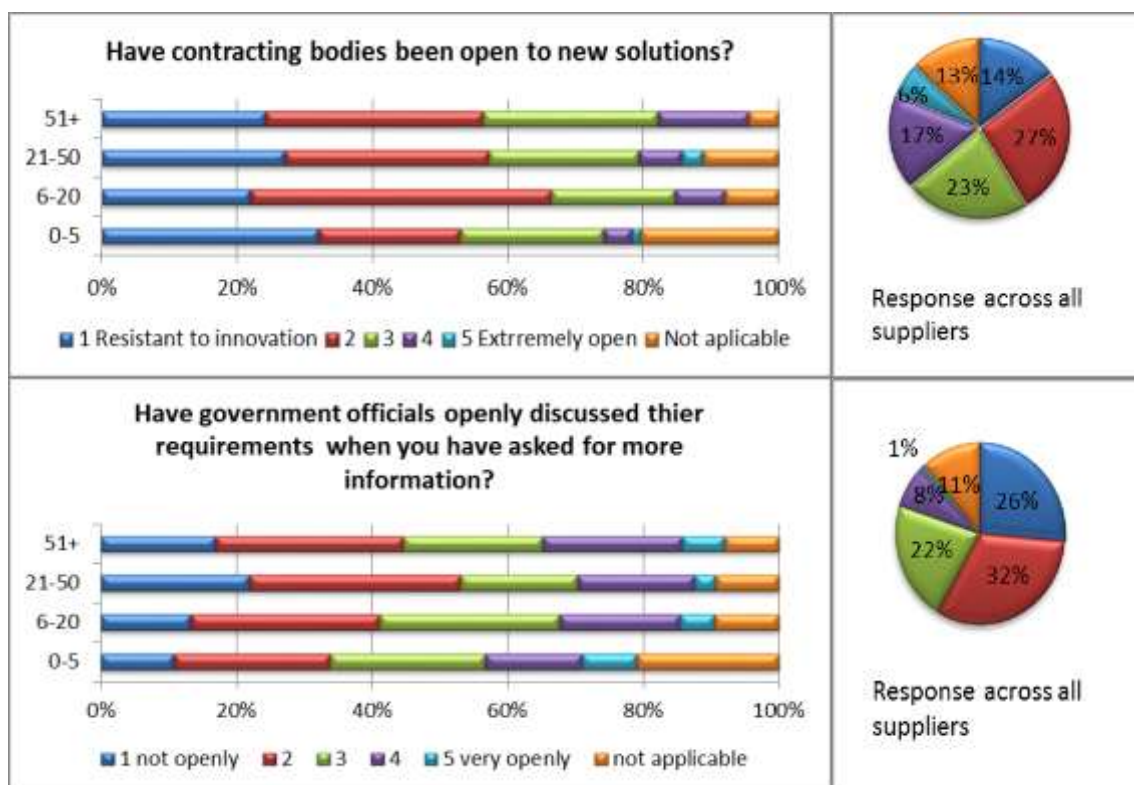
Openness new solutions

The majority of businesses indicated that contracting bodies were not open to new solutions. Small businesses provided the lowest scores by this measure.

Businesses responded more positively when asked whether officials openly discussed their requirements. For both questions however, a number of respondents answered with “not applicable.” Generally, the smaller a business – the more likely there were to respond in this way.

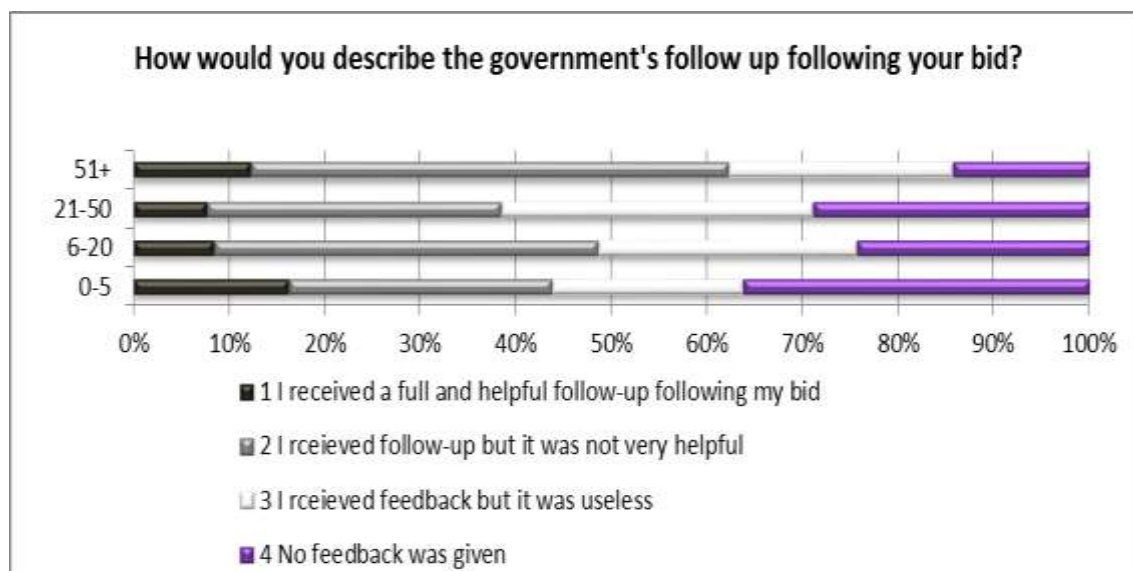
It is important to note that an agency’s openness to new solutions will be influenced by a number of factors. These include the:

- type of product sold by businesses
- nature of the contract relationship
- defined business need for the government agency
- need for new solutions when a standard high quality product is available

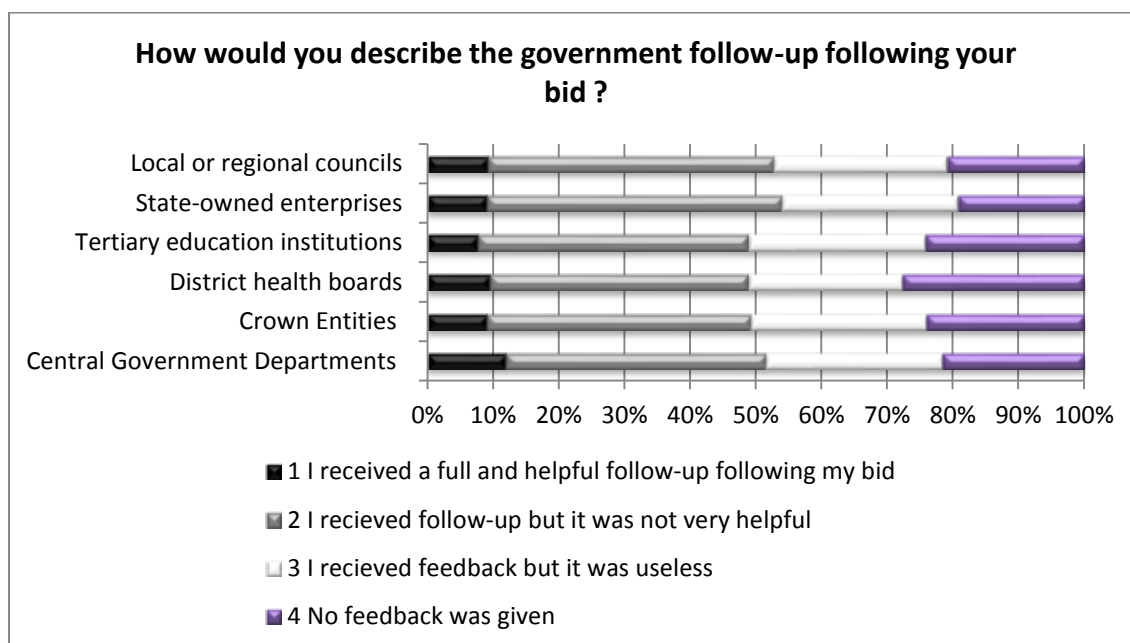


Feedback to suppliers

74 per cent of suppliers indicated that they had received feedback following their bid. However, only 11 per cent of respondents considered this feedback helpful. Generally, the larger a supplier – the more likely they were to have received feedback. At the extremes, 64 per cent of micro businesses and 86 per cent of large businesses received feedback. While micro businesses were the least likely to receive feedback, they also found it the most useful – 16 per cent said that they received a full and helpful follow-up after their bid.

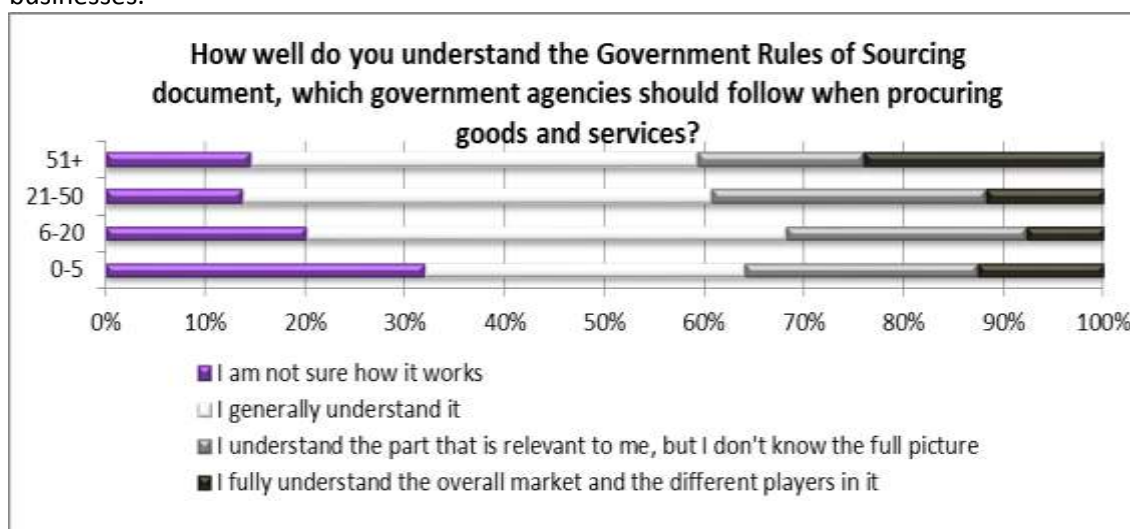


There was no significant difference shown between different agency types in terms of the feedback provided.



Government Rules of Sourcing

Most businesses had at least a general understanding of the *Government Rules of Sourcing (Rules)*. However, micro businesses had less awareness than their larger counterparts. Only a limited group of businesses said that they fully understand the overall market and the different players in it. Arguably, improved knowledge of the *Rules* would improve the success rate of businesses.



For more information, please see *Appendix 1*.

Comment

A large proportion of the businesses surveyed supply to central government departments, which are mandated to follow the *Rules*. Under Rule 46, these agencies must provide suppliers with an opportunity to be debriefed. The fact that so many respondents had been debriefed, suggests that this requirement is being followed.

The limited resources of smaller firms are possibly a significant barrier to understanding market elements such as the *Rules*. Resource constraints may also mean small businesses are unable to devote time to pursuing feedback.

Further education about the *Rules* may increase the number of suppliers that are debriefed. More targeted effort may also be needed to provide feedback to our smallest suppliers.

Contract management

Only 26 per cent of suppliers said that regular contract review meetings were held by the agencies they worked with. However, those who took part in these sessions found that they added value.

Businesses were not confident in the ability of government agencies to manage contracts. Businesses gave a score of 2.7 out of 5 for this measure on average. When asked about their contract manager's performance, businesses provided similar feedback. For each of the aspects considered by the survey, the average score was not higher than 2.6 out of 5.

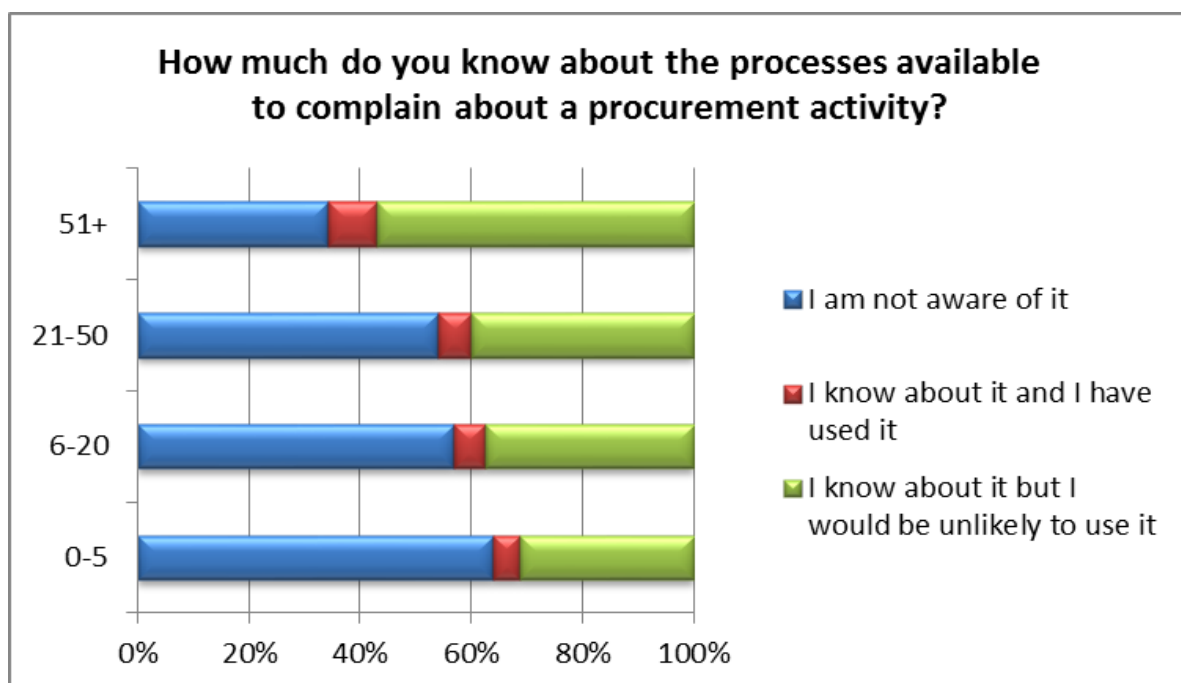
Businesses were the least satisfied with the clarity of communication provided by their contract manager. The highest rated aspect of performance was the level of professionalism at 2.6 on average. The timing of transactions and the quality of decision making were both given an average score of 2.4. 58 per cent of businesses said that doing business with government did not compare favourably with their other general customers. Only 36 per cent of businesses would recommend government as a customer. A further 46 per cent indicated they would in certain circumstances and 18 per cent said they would not.

Complaints process

The majority of businesses were not aware of the available complaints process. Of those that were aware of the process, only a minority had used it and 53 per cent would be unlikely to do so.

Comments on this question overwhelmingly show that suppliers do not want to use the complaints process, because they fear it will harm their chances of securing future business with government agencies.

The larger a business – the more likely they were to be aware of the complaints and the more likely they were to have used it. Over 60 per cent of micro businesses were not aware of the complaints process.



For more information, please see *Appendix 1*.

Success factors

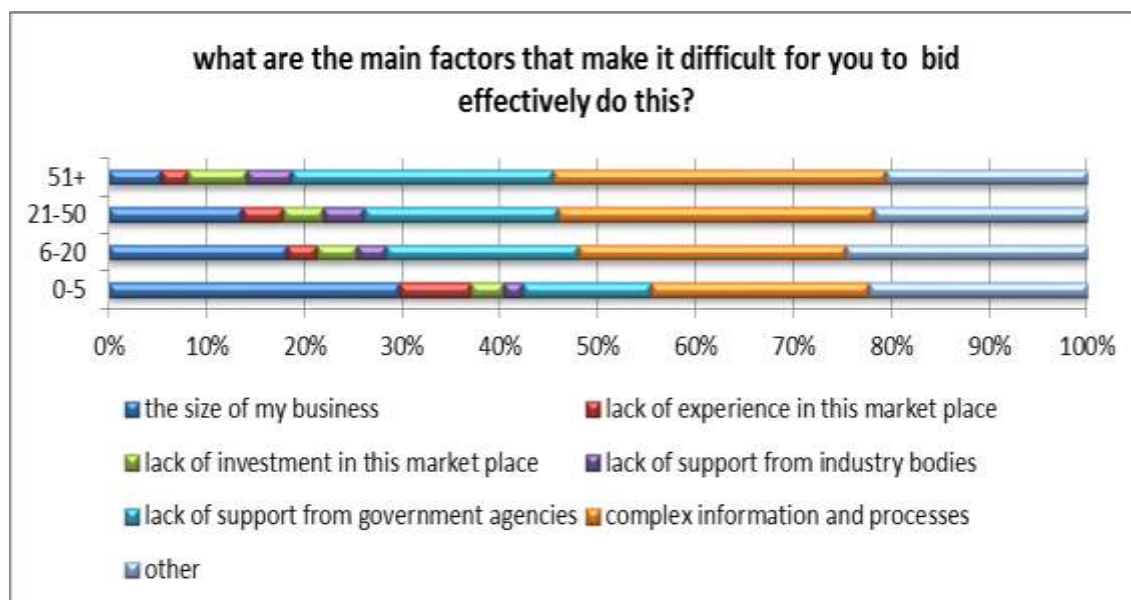
Both successful and unsuccessful suppliers had similar views on what factors reduce or improve bid effectiveness. The three factors businesses thought most reduced bid effectiveness were, in order of importance:

- complex information and processes
- other
- the size of my business.

The three factors which businesses thought most improved bid effectiveness were, in order of importance:

- experience in this market
- the size of my business
- clear information and processes.

Micro businesses viewed business size as the major factor reducing their bid effectiveness. If micro businesses were excluded from the survey, lack of support from government agencies would be the third most important factor perceived as reducing bid effectiveness.



Comment

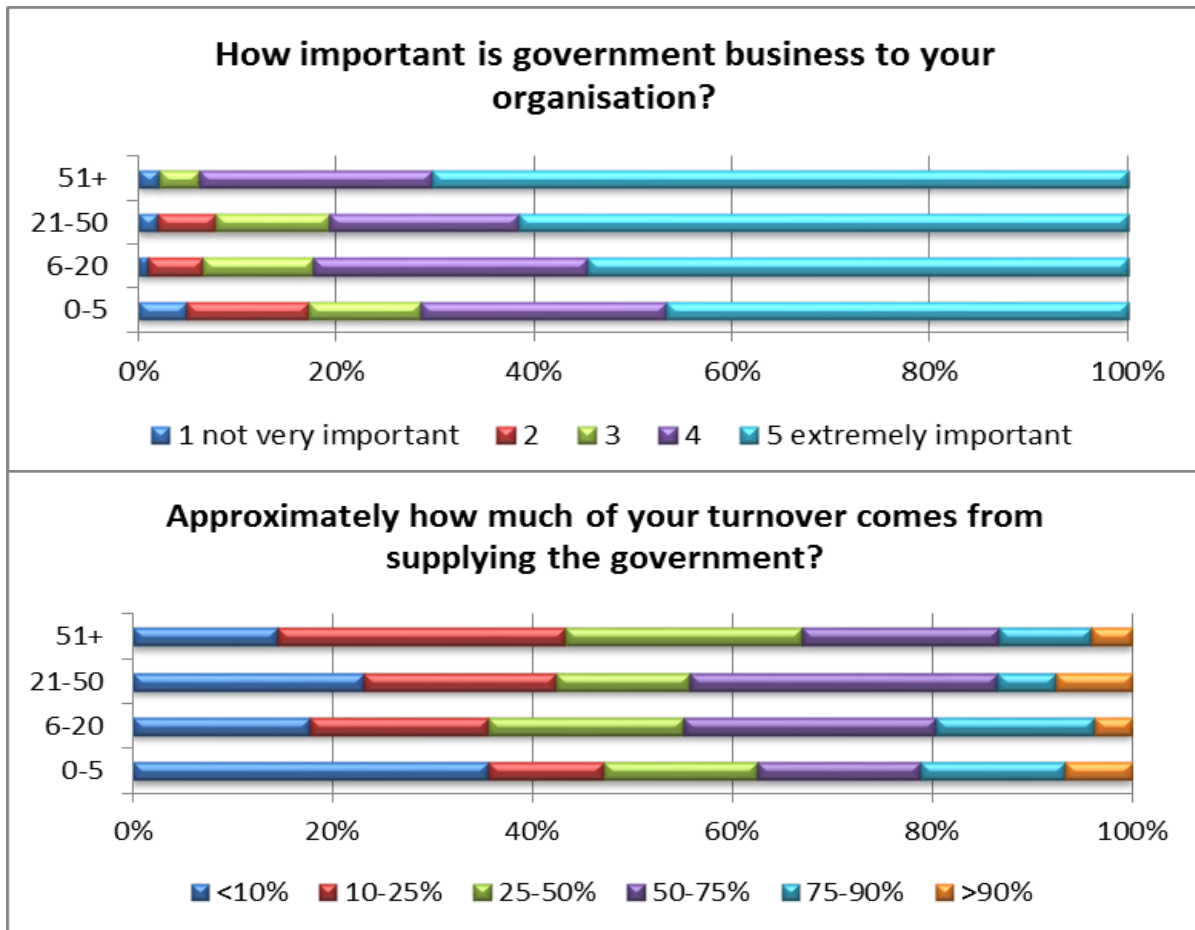
Wider application of the *Rules* (which encourage non-discrimination and contract award based on value over whole of contract life), may begin to address these concerns. Government agencies' on-going capability development should also drive change in practice to improve the supplier experience and build government's reputation as a fair, competent procurer.

It may take time to change attitudes about government procurement, but making this change is important if government is to become a customer of choice and reap the benefits of an engaged, competitive supply market.

Business size was considered an important factor for both bid effectiveness and reduced bid effectiveness. This reflects the different size of respondents. Smaller suppliers tend to view their size as a disadvantage while larger suppliers view their size as an advantage.

The Importance of Government Business

55 per cent of suppliers thought government business was very important for their organisation. Only three per cent of suppliers said it was not very important. The larger a business, the more important government business was to them. The same pattern was not clear for turnover.



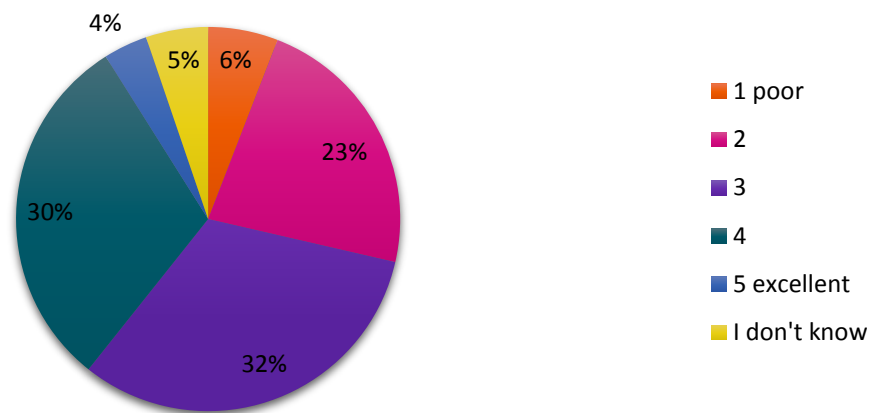
Next Steps

MBIE would like to thank businesses that participated in the survey. It is important for government to have an engaged supplier base to help both maintain and improve the delivery of its public services. The feedback received will:

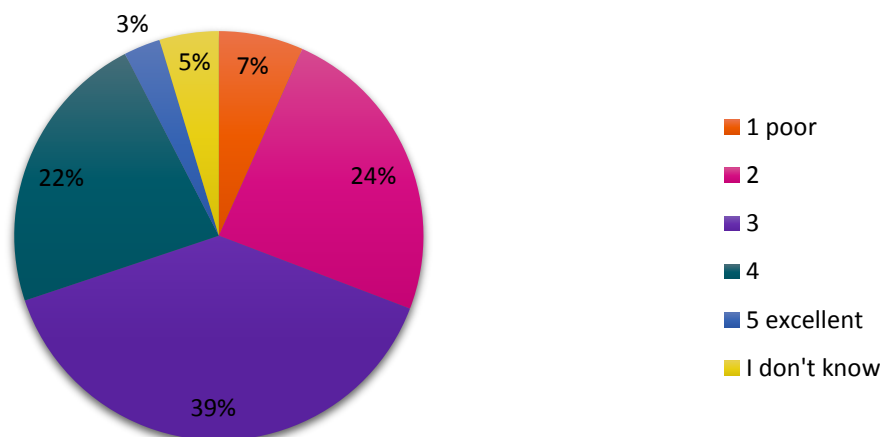
- inform government where to focus investment in procurement and commercial capability
- lift government's engagement with the business community.

Annex 1: supplementary graphs

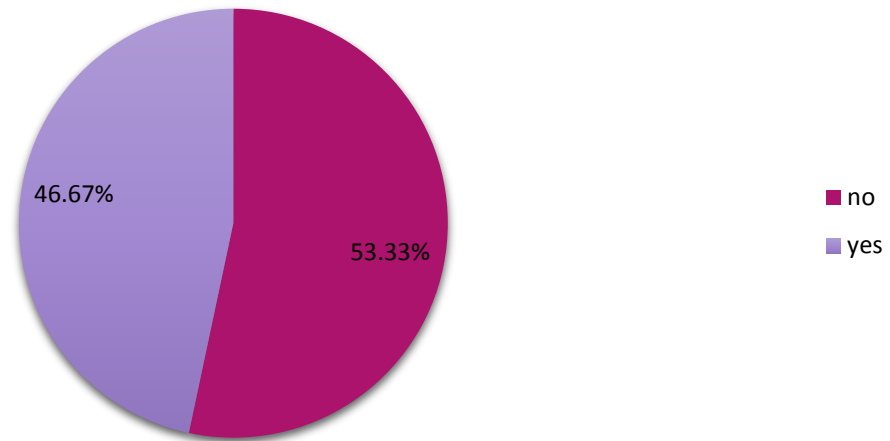
Supplier response to: They gave me all the information I needed



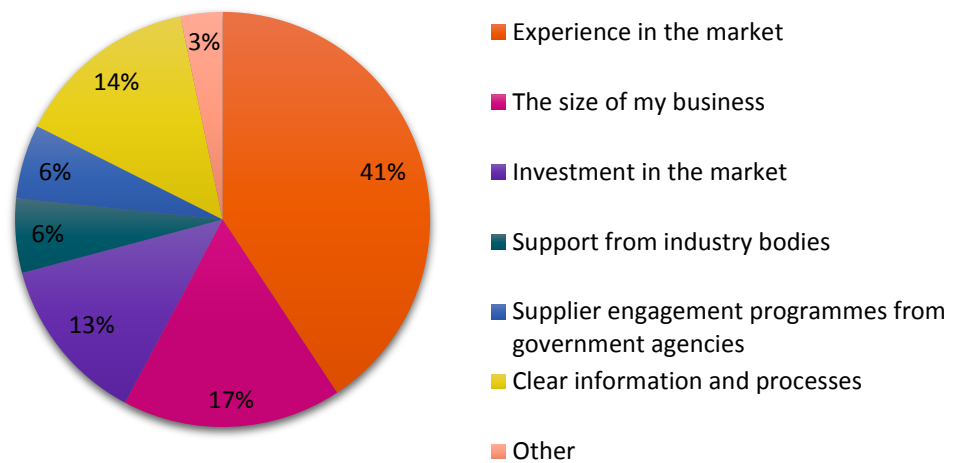
Response to: the information was easy to understand



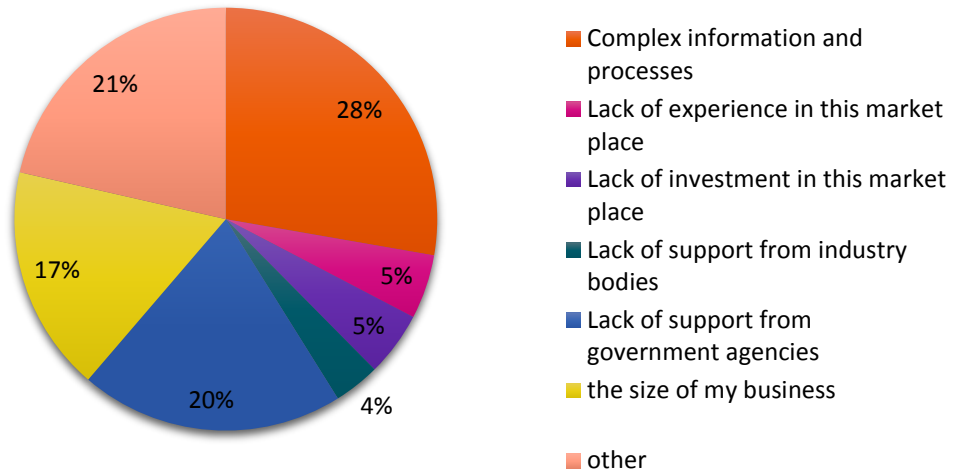
Response to: Do you feel you can effectively bid for government contracts?



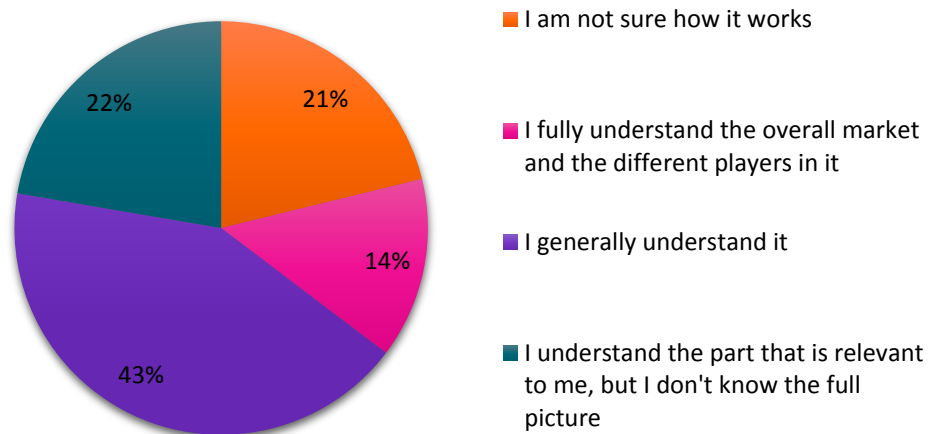
Factors perceived to increase bid effectiveness



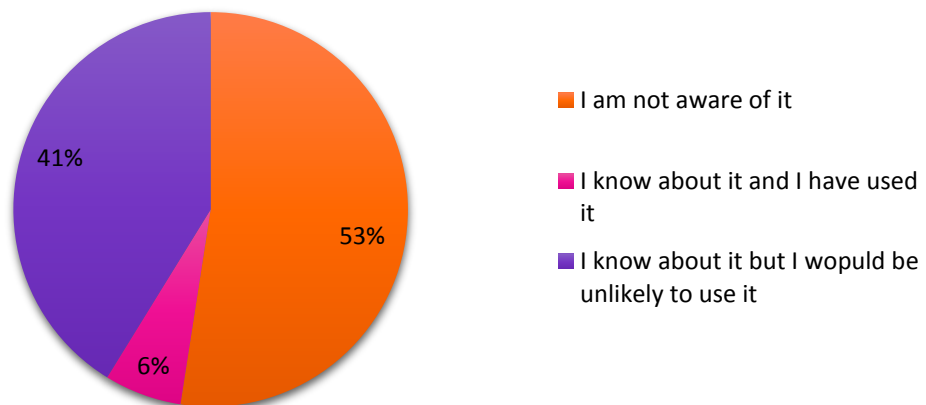
Factors perceived to reduce bid effectiveness



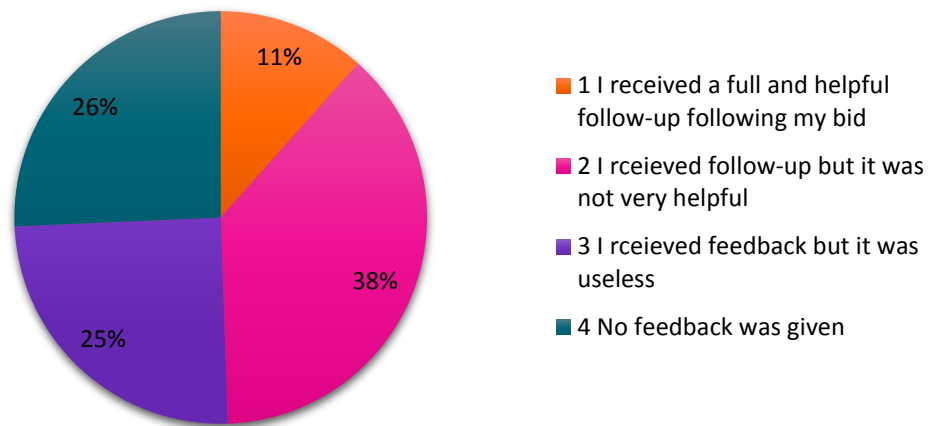
How well do you understand the *Government rules of sourcing*?



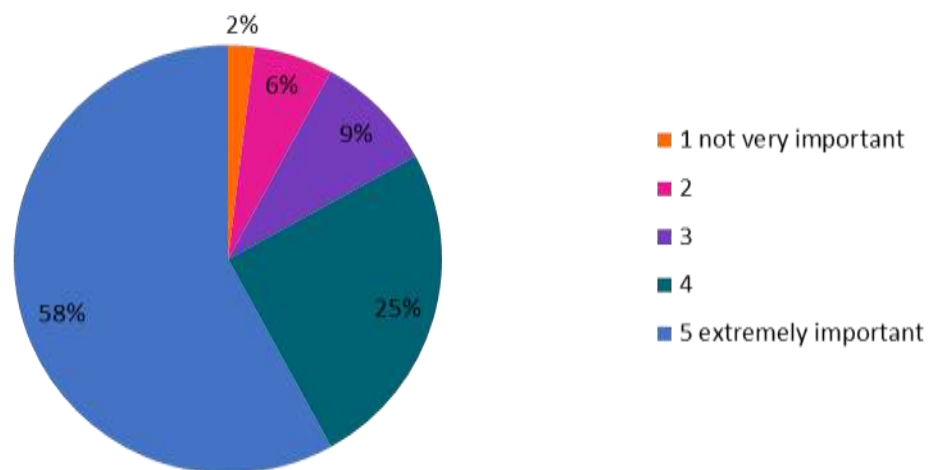
How much do you know about the processes available to complain about a procurement?



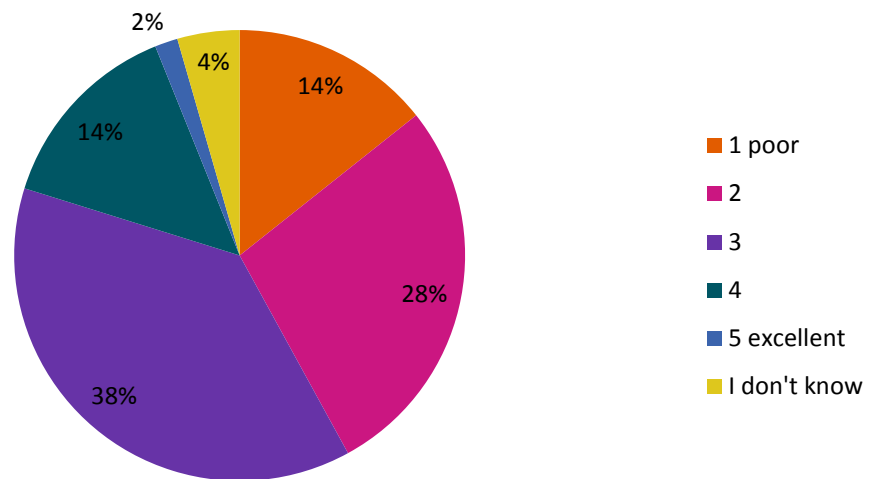
Response to: How would you describe the government's follow up after your bid for a contract?



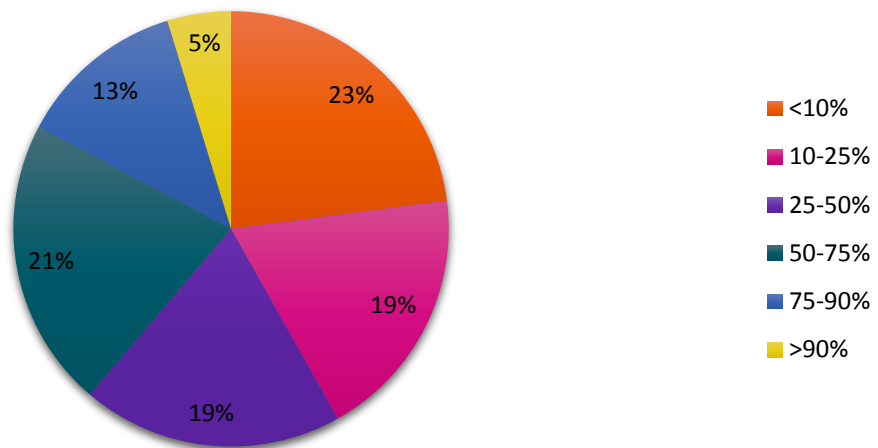
How important is government business to your organisation?



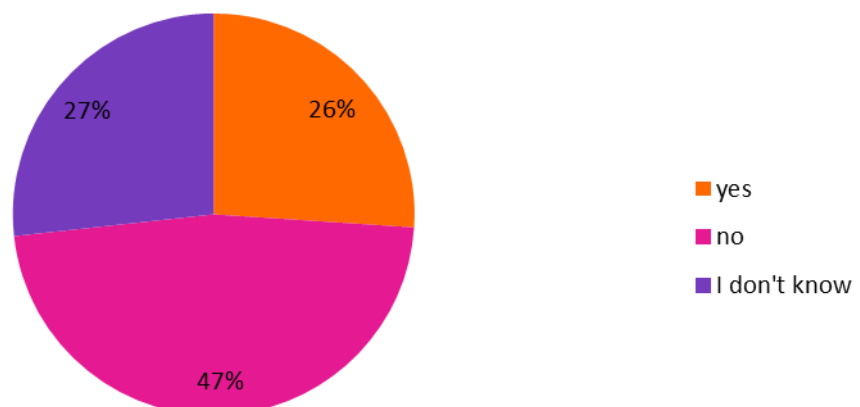
How well do you think government agencies manage their contracts?



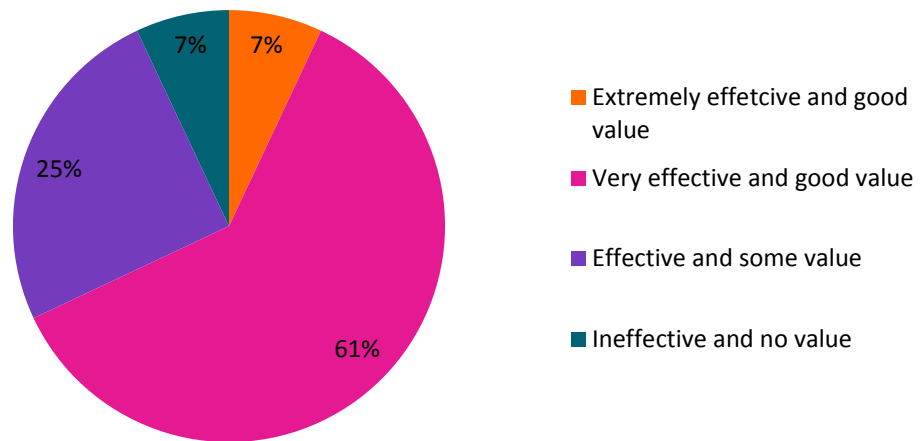
Approximately how much of your turnover comes from supplying the government?



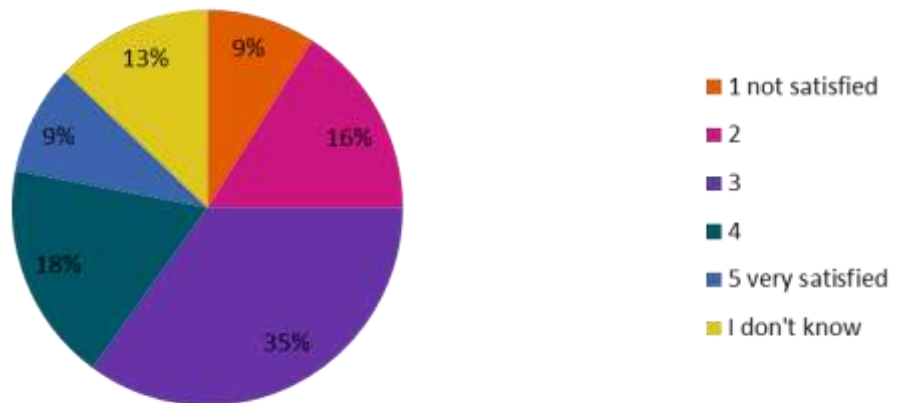
Do your government agencies hold regular contract review meetings?



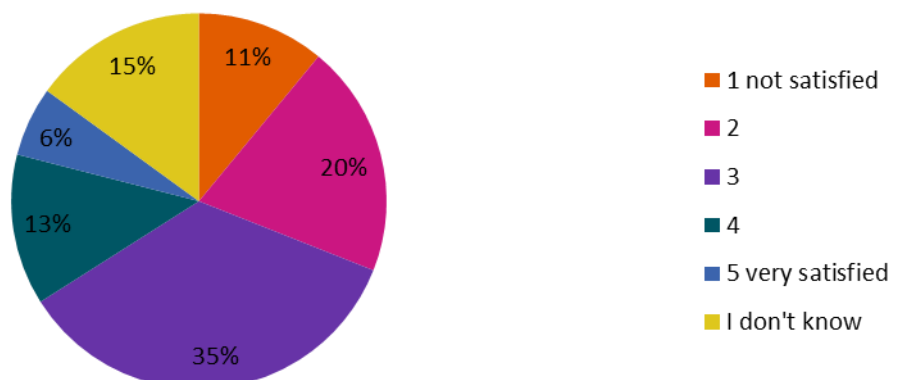
Do these contract review meetings add value to your business?



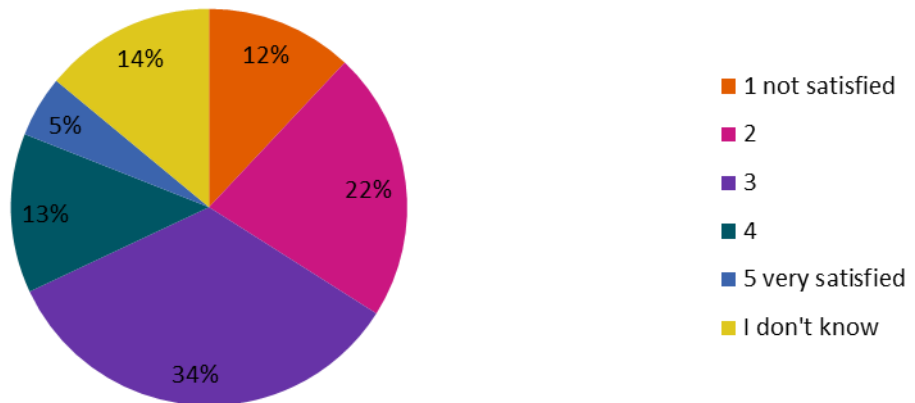
How satisfied are you with the level of professionalism and knowledge?



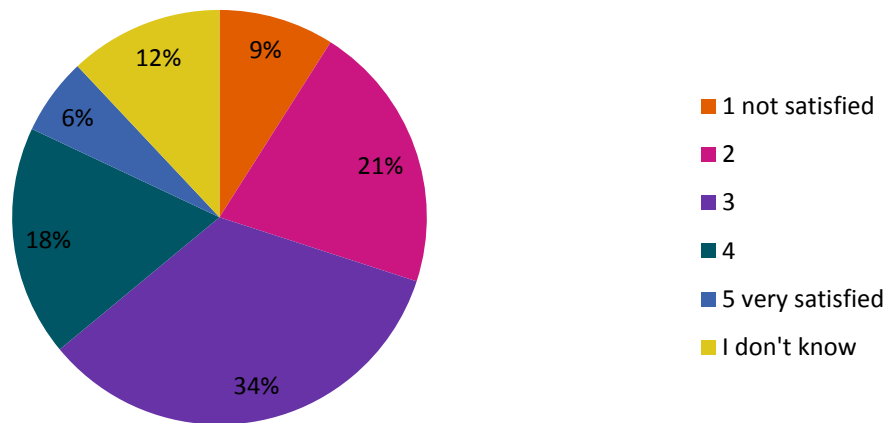
How satisfied are you with the timing of transactions?



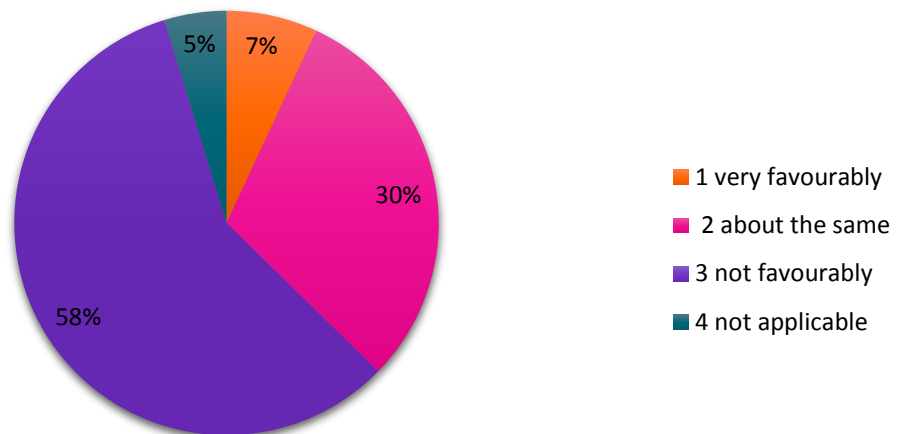
How satisfied are you with the quality of decision making?



How satisfied are you with the clarity of communication?



How well does doing business with a government agency compare to doing business with your other general customers?



Would you recommend government as a customer to other businesses?

