

New Zealand Government Procurement Business Survey 2015

Published June 2015

New Zealand Government

New Zealand Government Procurement

PO Box 1473
Wellington 6140
New Zealand

www.procurement.govt.nz
procurement@mbie.govt.nz

CROWN COPYRIGHT © 2015



This work is licensed under the Creative Commons Attribution-Non-commercial-Share Alike 3.0 New Zealand Licence. In essence, you are free to copy, distribute and adapt the work non-commercially, as long as you attribute the work to The Crown and abide by the other licence terms. To view a copy of this licence, visit <http://www.creativecommons.org.nz>

Please note that no departmental or governmental emblem, logo or Coat of Arms may be used in any way that infringes any provision of the Flags, Emblems, and Names Protection Act 1981. Attribution to The Crown should be in written form and not by reproduction of any such emblem, logo or Coat of Arms.

Contents

Introduction	4
New Zealand Government Procurement Business Survey	4
Key Findings 2015	5
Definitions and Interpretation of Results	6
Limitations	6
Business Profile	7
Business Size	7
Governments supplied	7
Agency Type	8
Business Confidence and Past Success	9
Success Factors	10
The Supplier Experience	11
Tendering	11
Sufficiency of Time During the Tender Process	11
Quality of Tender Documents Provided by Government Agencies	12
Contract Management	14
Quality of Contract Management	14
Contract Review Meetings	16
Quality of Supplier Relationship Management	17
Feedback after a tender response	17
Complaints	18
Supplier Resources	18
Overall quality of government procurement activity	19
The Influence of Size	20
Government as a Buyer	21
The Importance of Government Business	21
Government Compared to Other Customers	21

Introduction

New Zealand Government Procurement Business Survey

New Zealand Government Procurement, a function within the Ministry of Business, Innovation and Employment, runs an annual survey seeking businesses' views on government procurement.

The survey focuses on how businesses perceive and find the experience of government procurement in order to help improve the way government agencies work with them. This forms a part of a programme led by New Zealand Government Procurement aimed at improving government commercial practice.

The inaugural survey ran at the start of 2014 and saw over 650 businesses (both in NZ and offshore) participate. The results revealed that government was not generally viewed as a customer of choice and improvement was required with regards to government tender documentation and contract management. The 2015 survey was open for response from 9 February to 18 March 2015 and had a total of 277 businesses participate.

Since the 2014 business survey, there have been a number of developments in government procurement. These include:

- extending the Government Rules of Sourcing to cover a total of 135 agencies,
- updating the Rules following feedback from agencies and businesses,
- piloting Government Model RFx tender templates, and
- re-launching the [Government Electronic Tenders Service](#) (GETS) with enhanced features to make it easier for businesses to access government tender opportunities.

Key Findings 2015

There are improvements across a number of areas, particularly in the sourcing stages...

- Results from the 2015 Business Survey show an improvement in the quality of government tender documents.
- Businesses were more positive about the amount of time provided to respond during a procurement process.
- More than 80% of businesses would recommend government as a customer to other businesses, at least in some circumstances.

but there is still some way to go with supplier relationship and contract management practices...

- Results show that government procurement's supplier relationship management and contract management requires significant improvement.
- Many agencies do not provide helpful feedback after a tender response or hold regular contract review meetings.
- Nearly half of the respondents were unaware of the complaints procedures available to them.
- 44% of businesses rated the overall quality of government procurement activity negatively.

and some key trends have emerged.

- Larger businesses were generally more positive about government procurement than their smaller counterparts, with the exception of medium-sized businesses (21-50 FTEs) which were typically more critical than small businesses (6-20 FTEs).
- Smaller businesses were generally less confident and successful when bidding for government contracts.
- Businesses that primarily contracted with central government agencies were more positive about the time given to respond to tenders, the quality of the tender documents and their overall experience than those who mainly contracted with agencies in the wider public sector.
- Businesses that did not supply to governments other than New Zealand were generally more critical of government procurement than those which supplied to multiple international governments.

Definitions and Interpretation of Results

Business size: Respondents have been divided into four groups according to the number of full time equivalent employees (FTEs). This division provides additional insight and allows conclusions to be drawn about the influence of size on business 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 on a scale from 1 (Poor) to 5 (Excellent) in response to a question. This will be referred to as the score given. Scores of 1 or 2 were considered to be negative, a score of 3 was neutral, and scores of 4 or 5 were positive.

Contract management vs supplier relationship management: The results from the 2014 Business Survey indicated that there was a degree of confusion between contract management and supplier relationship management. To address this issue, separate questions on these two areas were asked in 2015 and defined as follows.

- **Contract Management:** The process of making sure that the supplier meets the terms of a contract, including delivering the goods or services on time, at the agreed cost and to the required specification and quality standards. The three key elements are service delivery management, relationship management and contract administration.
- **Supplier relationship management:** Managing the interactions between an entity who supplies goods or services and the buying entity to create closer, more collaborative relationships that add value and reduce risk.

Central government agencies vs agencies in the wider public sector: In some instances comparisons have been made between central government agencies and agencies in the wider public sector. For the purposes of the business survey, central government agencies are defined as those in the Public Service, New Zealand Police and New Zealand Defence Force. Agencies in the wider public sector are defined as Crown Entities, District Health Boards, Tertiary Education Institutions, State-owned Enterprises and Local or Regional Councils.

Inclusion of unspecified responses: In some instances businesses have chosen not to respond to a question, for example agency type, but have responded to subsequent questions. These unspecified responses to subsequent questions have been included in our analysis except where the pool of respondents in this group is so small that their inclusion may artificially skew interpretation.

Limitations

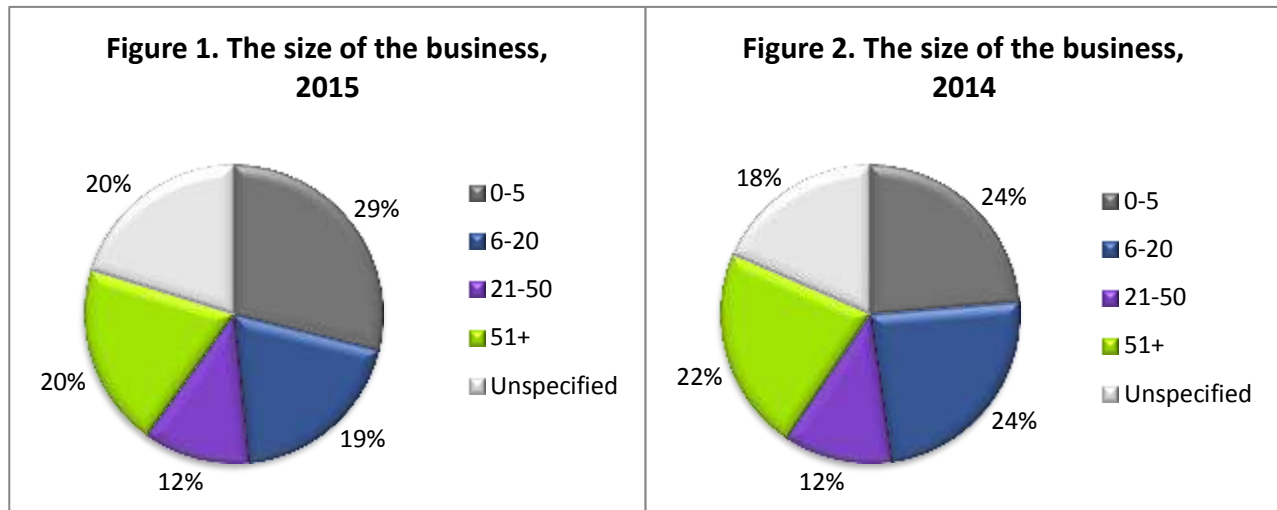
Comparisons with the 2014 results are difficult for a small number of questions as some changes were made to improve them following feedback from businesses. In addition, as those who participated in the survey were volunteers, respondents may not be wholly representative of the business community.

Another limitation is that due to a smaller cohort size it has not been possible to conduct analyses based on sector (e.g. agricultural, IT). However, the sample size is still considered large enough to assess feedback on government more generally.

Business Profile

Business Size

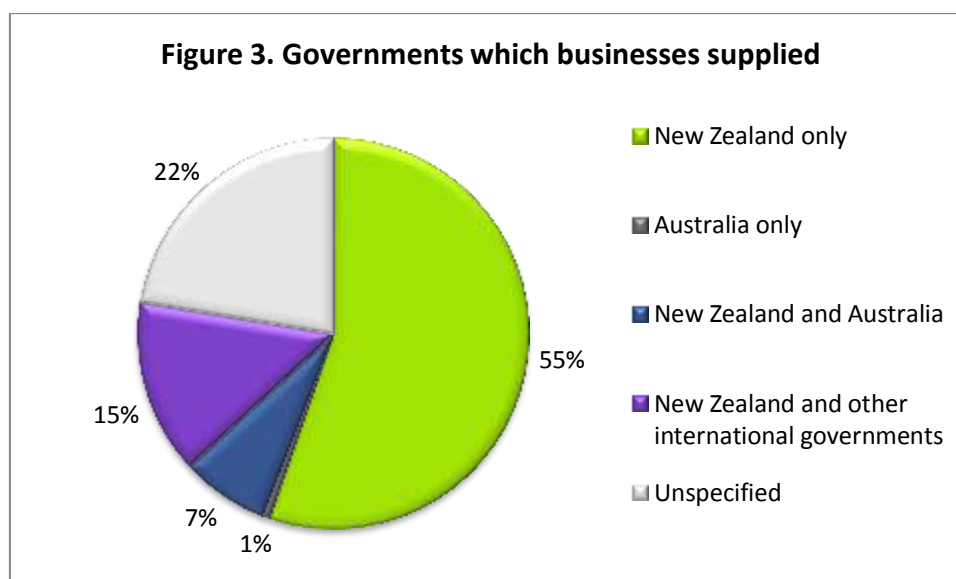
The proportion of micro, small, medium and large businesses who participated in the 2015 business survey was similar to that of last year's (Figure 1 and 2). In both cases, approximately 50% of respondents were micro or small businesses, 30% were medium or large businesses, and 20% choose not to specify.



Governments supplied

For approximately half of respondents (55%), New Zealand was the only government they supplied (Figure 3). Approximately 22% supplied New Zealand and other governments, 1% supplied only to the Australian Government and 22% did not specify which governments they supply.

Respondents were also asked where their company's ownership was based. Similarly to the 2014 results, 65% of the business ownership was based in New Zealand, 4% was based in Australia and 22% did not specify. Of those respondents whose ownership was based in New Zealand, 20% supplied to other international governments.



Agency Type

The majority of businesses surveyed (73%) said they supplied more than one type of agency, closely matching last year's results. The type of agency businesses most commonly supplied to was central government, followed by Local or Regional Councils, Crown Entities, State-owned enterprises and District Health Boards (Figure 4).

In 2015, an additional question was asked about which agency type was a business's primary customer. A third of businesses surveyed indicated that central government agencies were their primary customer. A third did not specify and a further third said that other agency types were their primary customer (Figure 5).

Figure 4. Types of agencies supplied

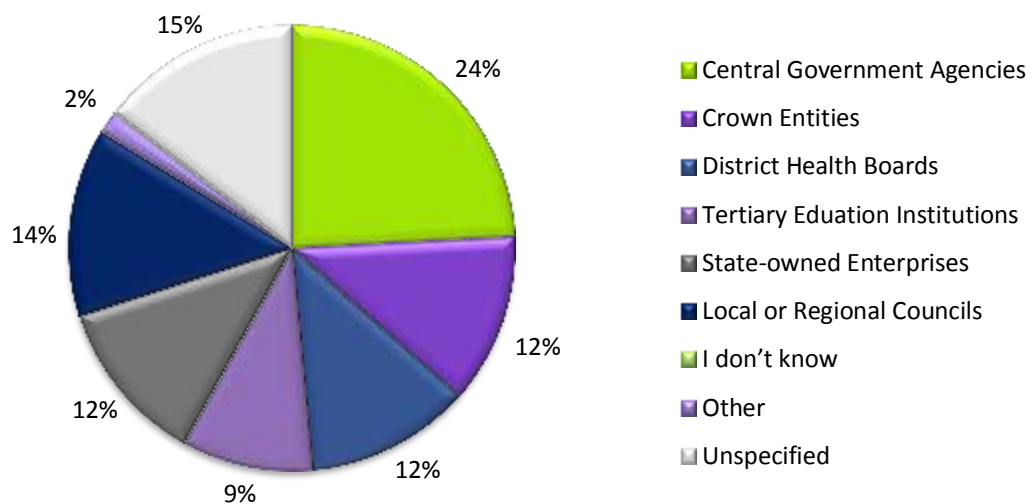
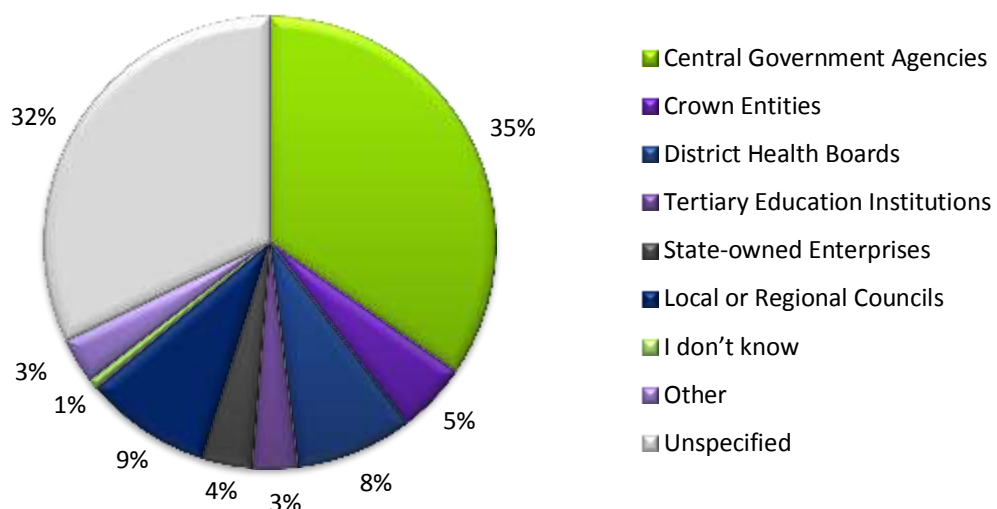


Figure 5. Primary customer by agency type



Business Confidence and Success

Respondents were asked how confident they felt when bidding for government contracts and whether they had been successful with any of their bids in the last two years. Results show that levels of confidence and success were closely aligned (Figure 6).

The size of a business remained an important determinant of confidence. The larger a business was the more confident they were that they could effectively bid for government contracts.

Overall, respondents to the survey this year were slightly more successful at securing government contracts in the last two years than those surveyed in 2014 (Figure 7). While the most successful businesses were 20-50 FTEs last year, businesses of 51 or more FTEs were the most successful in 2015. Businesses with 6-20 FTEs were slightly more successful than those with 21-50 FTEs, and the least successful group were micro businesses of 0-5 FTEs. Micro businesses and medium businesses were considerably less successful than respondents of a similar size in 2014.

Figure 6. Percentage of businesses who were confident and successful when bidding for government contracts

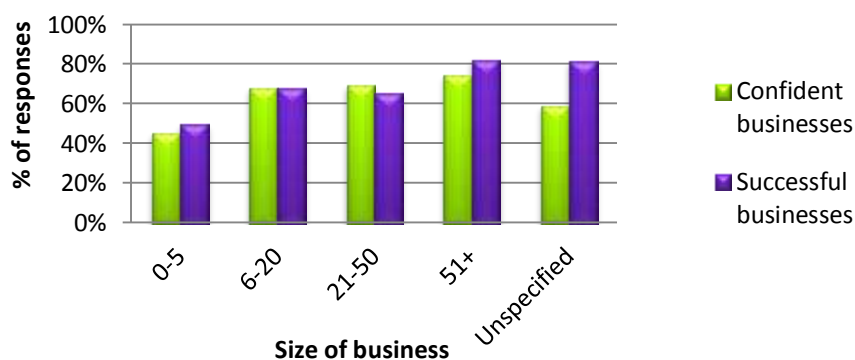
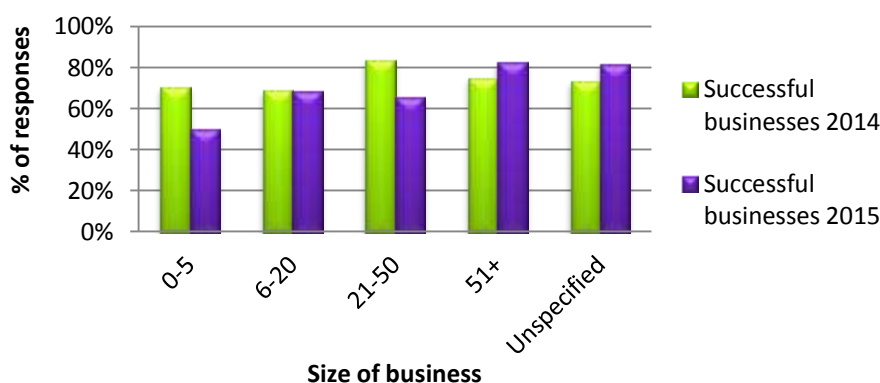
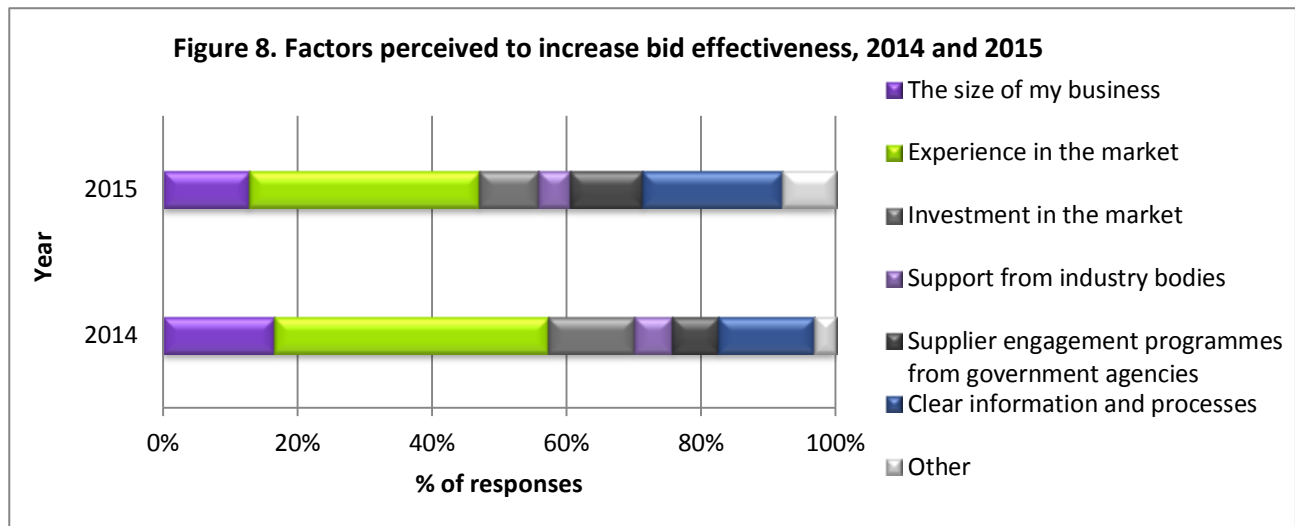


Figure 7. Percentage of businesses which were successful in their bids for government contracts in the last two years



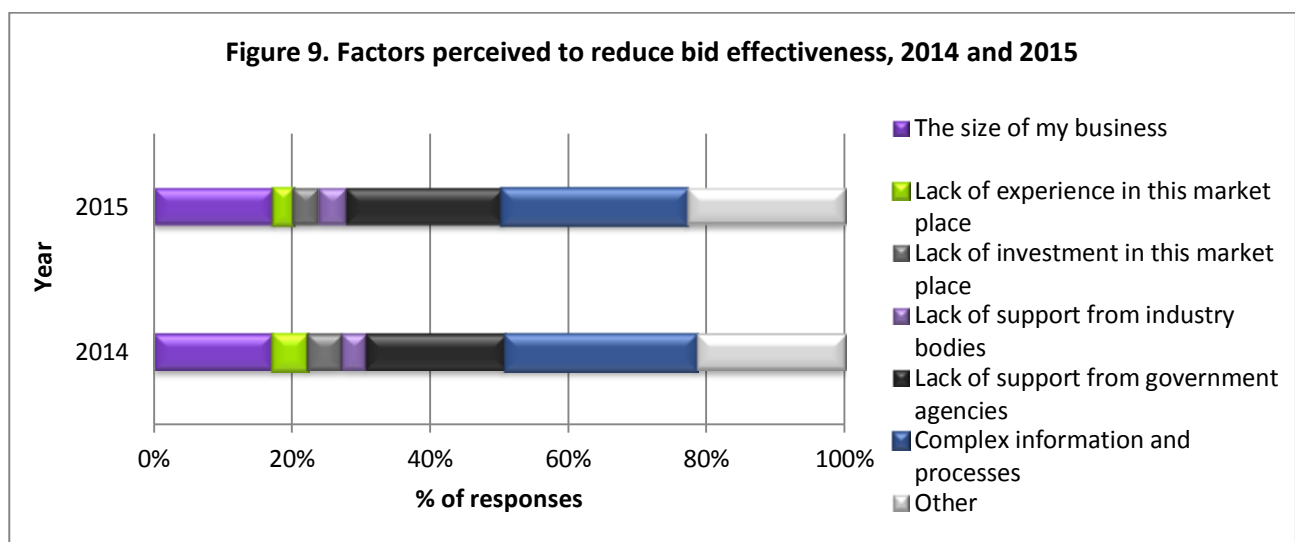
Success Factors

Businesses surveyed this year reported that similar factors influenced their bid effectiveness as in 2014 (Figure 8). Experience in the market, clear information and processes and the size of the business remained as the main factors perceived to improve bid effectiveness, regardless of whether a business had been successful or unsuccessful. However, there was a significant increase in the number of respondents that cited clear information and processes as a factor which supported bid effectiveness. Fewer respondents indicated that investment in the market and the size of the business was as important as in 2014.



The factors perceived to be important to reducing bid effectiveness were also consistent across years (Figure 9). Businesses believed that complex information and processes reduced bid effectiveness the most. This was followed by lack of support from government agencies. There was a slight increase in the number of respondents who cited lack of support from government agencies as a factor, rising from 20% to 23%.

When businesses responded that “other factors” reduced bid effectiveness, they were asked to provide additional information. The most commonly reported “other factors” included poor government capability throughout the procurement process, a perception that outcomes are predetermined and a perception that small businesses are increasingly disadvantaged by approaches to market.

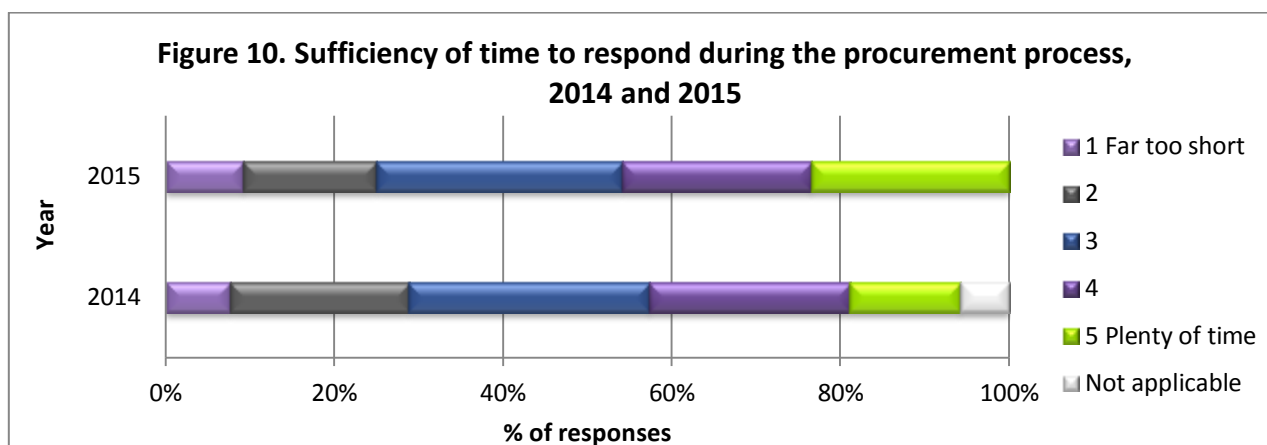


The Supplier Experience

Tendering

Sufficiency of time during the tender process

Businesses were asked whether they had been provided enough time to respond during the procurement process. Overall, respondents were both more positive and less negative about the time provided to respond than in 2014 (Figure 10). This year, many businesses (46%) indicated that sufficient time had been provided and almost a quarter (23%) reported that plenty of time had been given to respond. The number of those who reported negatively on this measure this year decreased from 29% to 25%.



Businesses whose primary customer was central government agencies were more positive about the sufficiency of time provided to respond to a tender (Figure 11). This is encouraging as at the time of the survey central government agencies were mandated to follow the Rules, which include minimum timeframes. In addition, businesses which supplied to multiple international governments were less negative in this area than those where New Zealand was the only government they supplied (Figure 12).

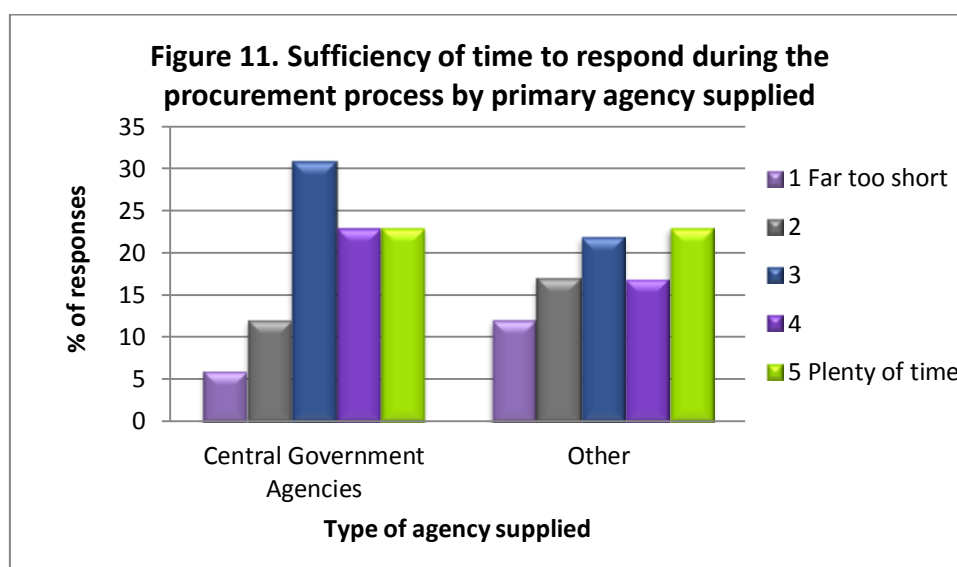


Figure 12. Sufficiency of time to respond during the procurement process based on governments supplied

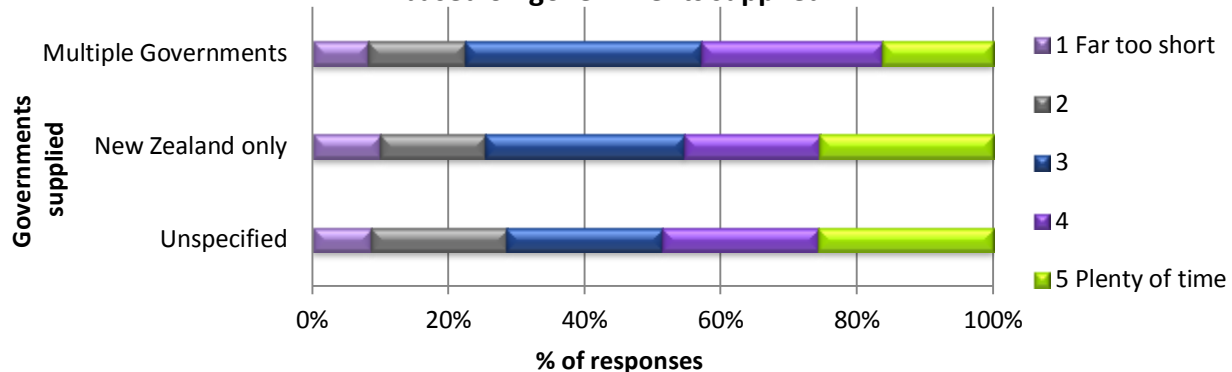
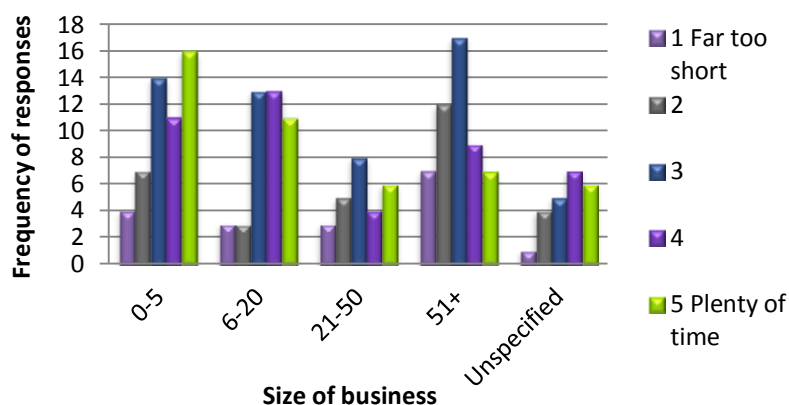


Figure 13. Sufficiency of time to respond during the procurement process by business size



Larger businesses were more critical of the sufficiency of time provided to respond to tenders (Figure 13). Businesses of 51+ FTEs were the most likely to respond with “far too short”, perhaps reflecting the different nature or complexity of the type of tender they typically respond to.

Small businesses with 6-20 FTEs were the most positive on this measure, with 56% of this group indicating that they had enough time to respond during the procurement process.

Quality of tender documents provided by government agencies

Businesses were asked to rate how understandable and clear the tender documents provided by government agencies were (clarity) and whether they provided all of the information needed (sufficiency). Overall, respondents were more positive on both of these measures than in 2014.

In 2015, 34% of respondents indicated that the information contained in tender documents provided by government agencies was clear and easy to understand (Figure 14). In contrast, only 25% responded positively on this item last year. The results also show that businesses whose primary customer was central government agencies were more positive than those that worked primarily with other agency types (Figure 15).

As shown in Figure 16, there was an increase in the number of businesses who reported that tender documents provided by government agencies provided sufficient information. In 2015, 40% of respondents gave a rating of 4 or 5, up from 32% in the previous year.

Figure 14. Clarity of information provided in tender documents, 2014 and 2015

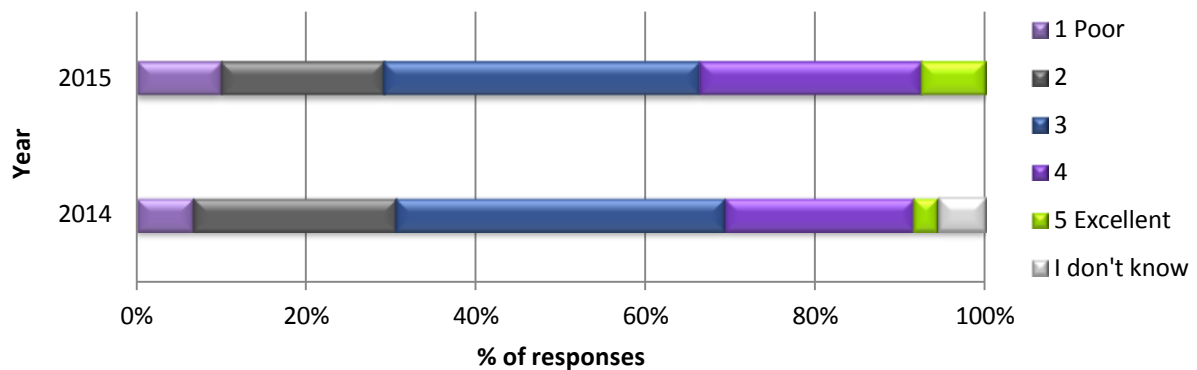


Figure 15. Clarity of information provided in tender documents by agency type

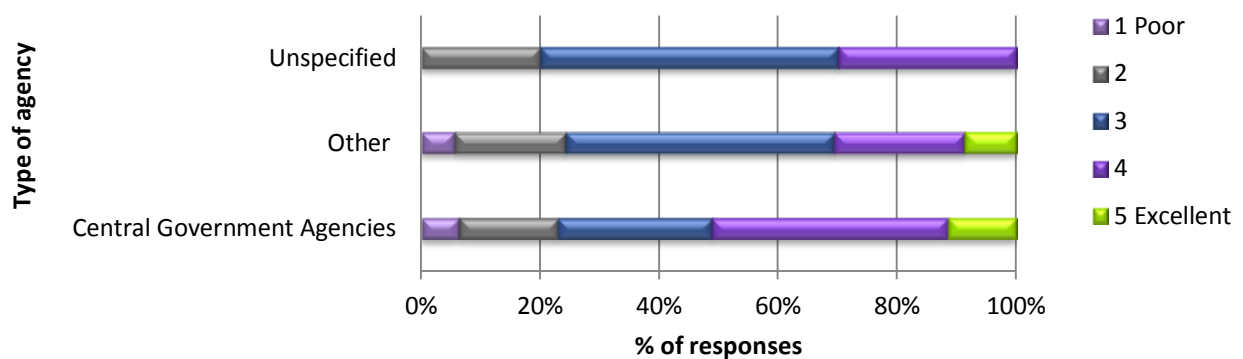
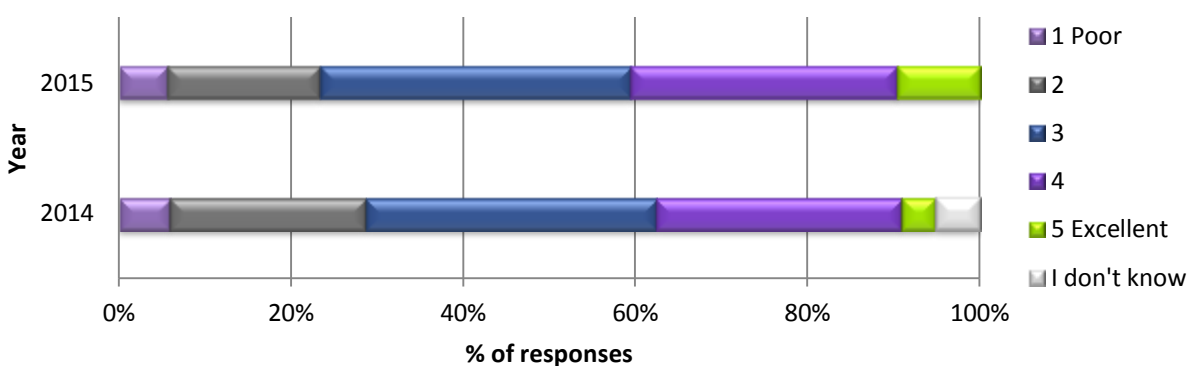
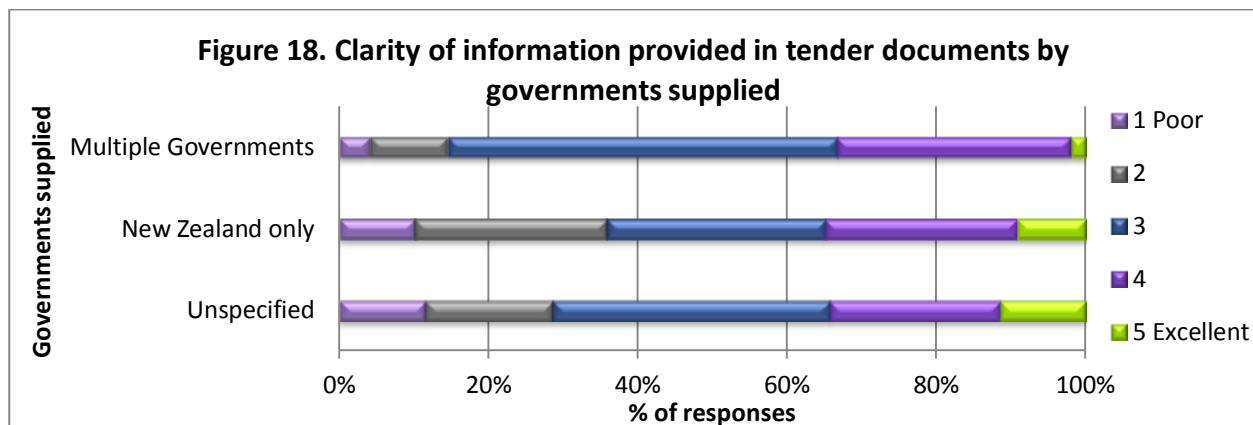
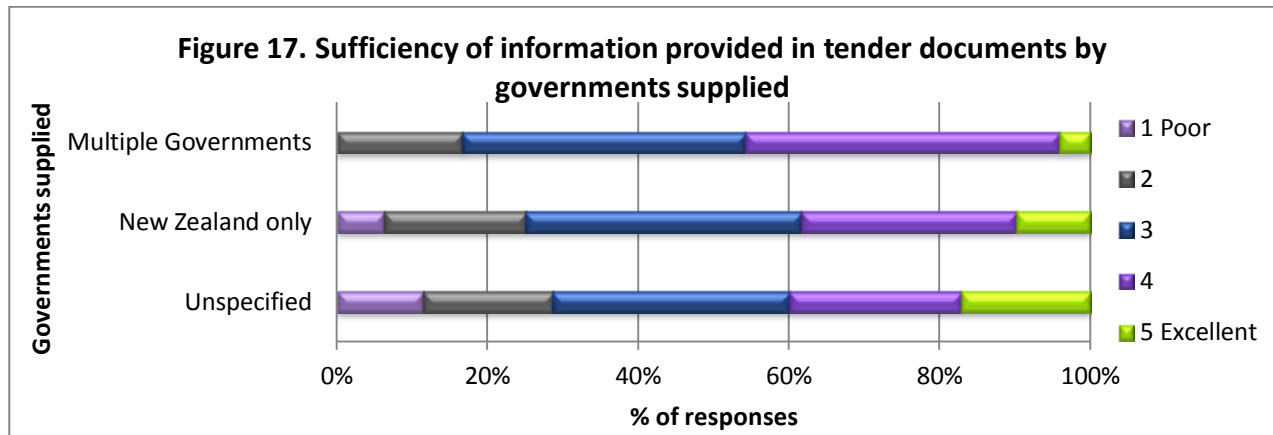


Figure 16. Sufficiency of information provided in tender documents, 2014 and 2015



Those businesses which supplied to multiple international governments were more positive about the sufficiency of information provided in tender documents by government agencies than those who supplied only to the New Zealand government (Figure 17). They were also less negative about the clarity of information provided in the tender documents (Figure 18).



Contract Management

Quality of contract management

This year businesses were more positive about the quality of government's contract management. Approximately a quarter of respondents (26%) gave a rating of 4 out of 5 for this measure this year. Last year only 15% gave a rating this high (Figure 19). Despite this increase, the results show that there is still significant room for improvement.

Businesses that supplied to multiple international governments were more positive about contract management than those who supplied only to New Zealand (Figure 20). The results also show that those who contracted with central government agencies were more negative than those who contracted primarily with other agency types (Figure 21).

Figure 19. Contract management rating, 2014 and 2015

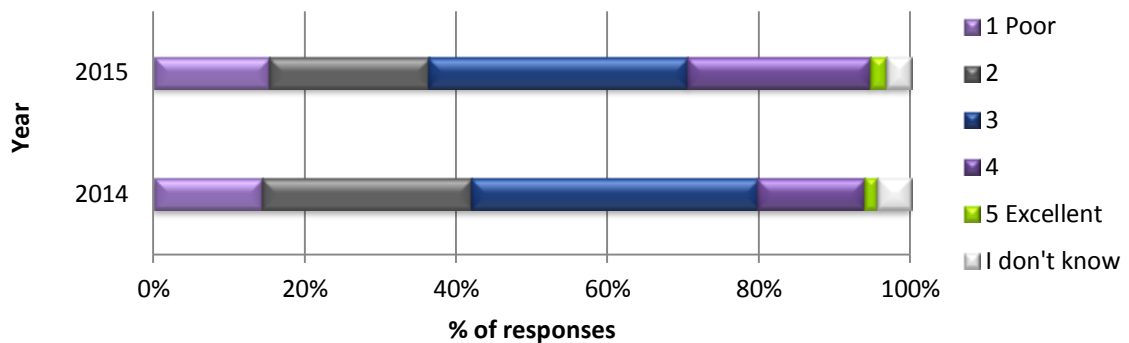


Figure 20. Contract management rating by governments supplied

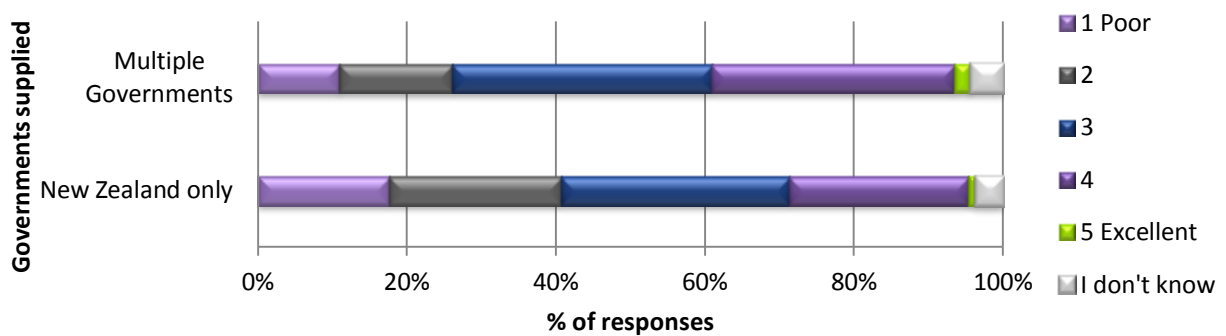
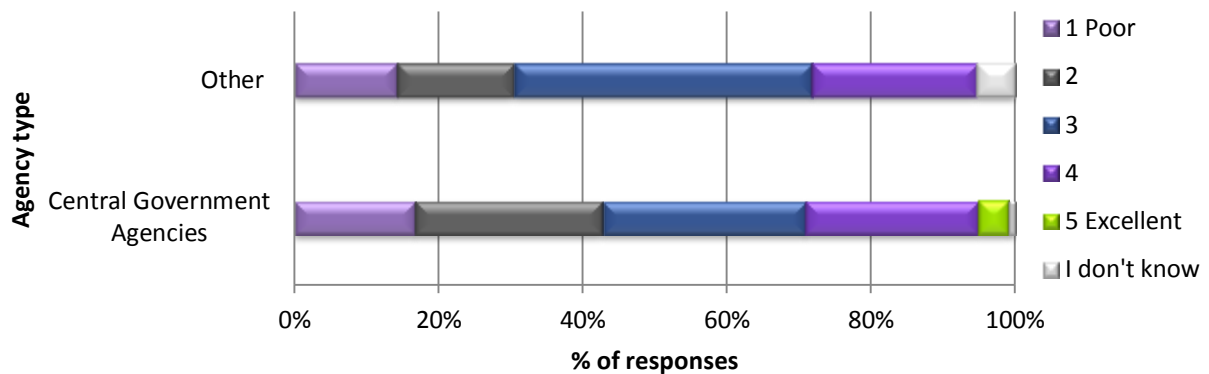


Figure 21. Contract management rating by agency type



Contract Review Meetings

Businesses were asked whether the government agencies they contract with hold regular contract review meetings. This question was slightly revised in 2015 for greater clarity and as a result the number of “I don’t know” responses dropped from 27% to 15% (Figure 22 and 23). However, the number of businesses that said the agencies they contract with hold contract review meetings only rose by 2%, while the number who did not rose by 10%. Results indicate that the majority of agencies (57%) do not hold regular contract review meetings, but when they do, they are perceived as more valuable by businesses than in 2014 (Figure 24).

Figure 22. Percentage of agencies that hold regular contract review meetings, 2015

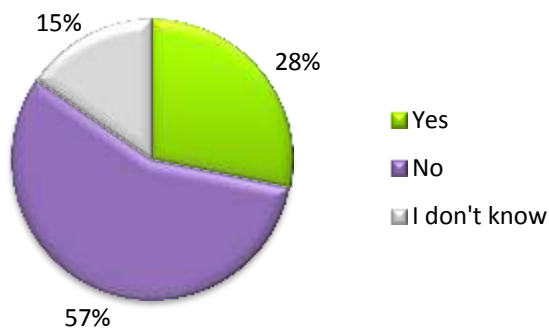


Figure 23. Percentage of agencies that hold regular contract review meetings, 2014

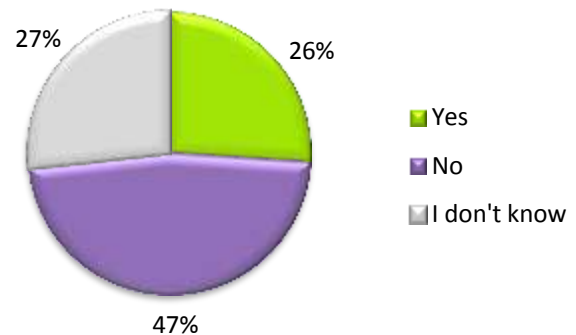
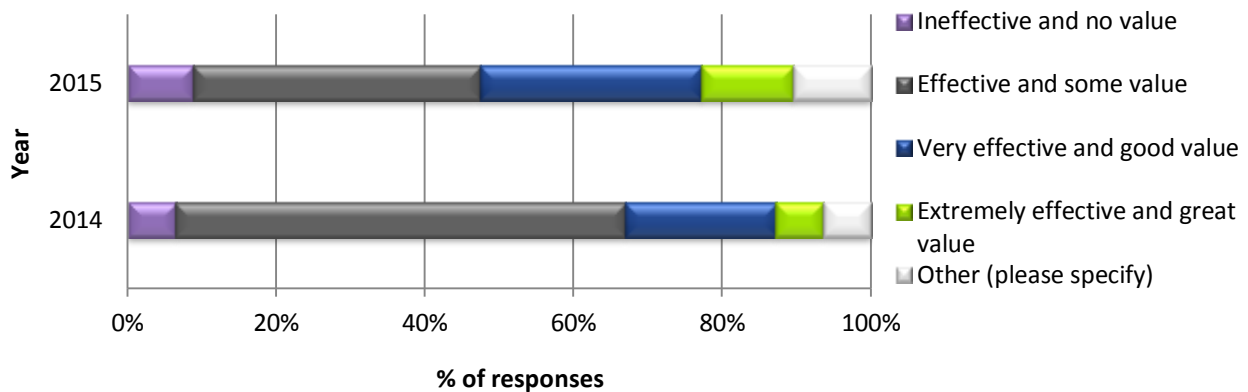


Figure 24. The value of contract review meetings, 2014 and 2015



Quality of supplier relationship management

This year a question was introduced asking businesses to rate how well agencies manage their supplier relationships. Just over half of respondents gave a rating of three or higher for this measure, although 42% rated government negatively (Figure 26). The results suggest that supplier relationship management is an area of improvement for government agencies.

Feedback after a tender response

Businesses were asked to rate the quality of the feedback provided by government agencies after having bid for a contract. This question was slightly altered from that asked in 2014 to provide a greater range of possible responses. This year over 70% of businesses which responded to this question had received some form of feedback or follow up after bidding for a government contract in the past two years and 44% had found this feedback at least reasonably helpful (Figure 26). However, the percentage of businesses which didn't receive feedback remained relatively unchanged from the 2014 results.

Figure 25. Quality of supplier relationship management

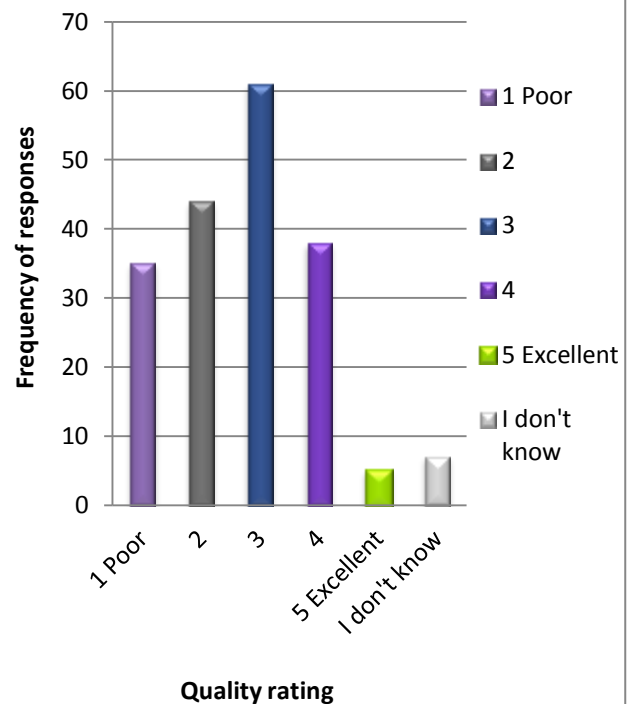
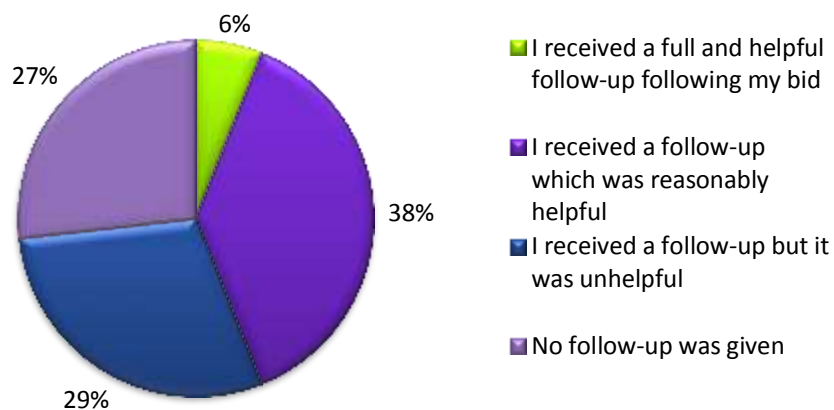


Figure 26. Quality of government's follow-up after having bid for a contract



Complaints

Many businesses reported that they were unaware of the complaints procedures available to them or would be unlikely to use them even though they were aware of their existence (Figure 27). Only 20% of respondents indicated that they knew about the complaint processes available and have either used them in the past or would use them if necessary.

With the exception of medium-sized businesses, the smaller a business was the less likely they were to know about the procedures available to complain about a procurement activity (Figure 28). Micro businesses tended to be the ones most likely to have used them.

Overall, the results indicate that there is not a great awareness of complaint procedures or a desire to use them.

Figure 27. Business awareness of available complaint procedures

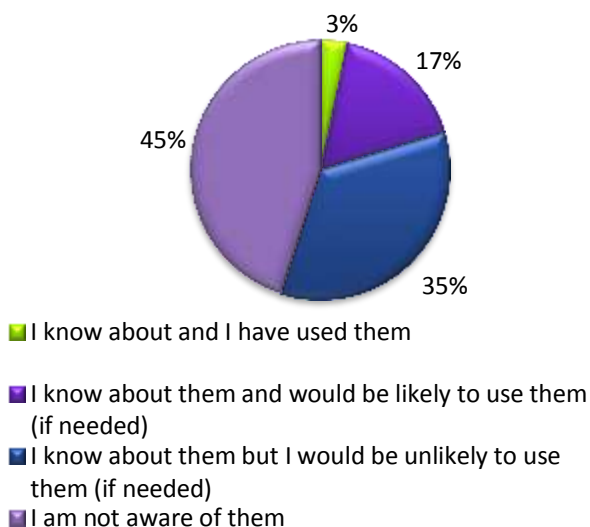
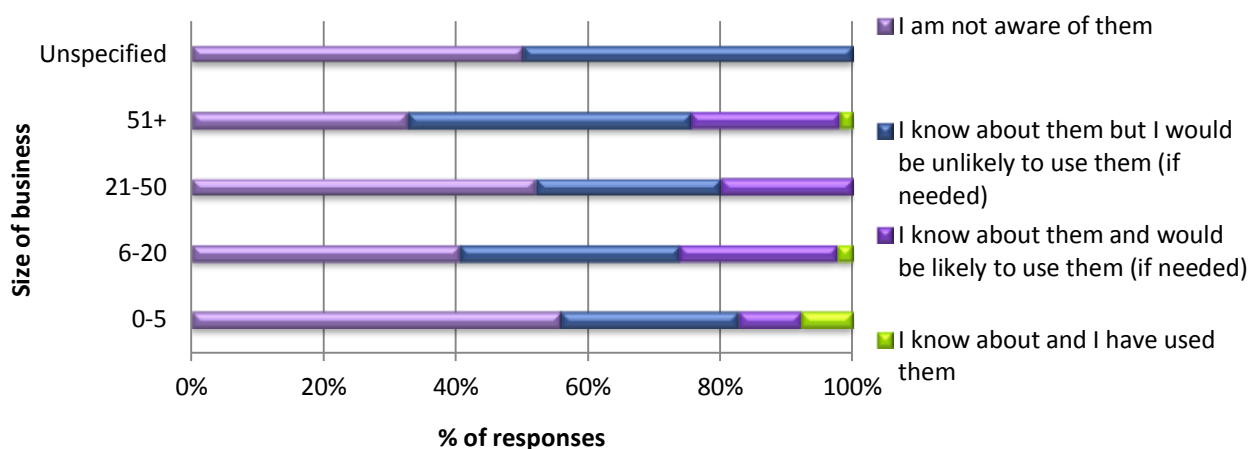


Figure 28. Business awareness of available complaint procedures by business size



Supplier resources

The majority of businesses surveyed (61%) were not aware of any advisory services or supplier resources offered by government agencies (Figure 29). While 11% of businesses listed supplier resources as an important contributor to success, only 7% businesses had used these resources in the past and found them useful.

Figure 29. Business awareness of advisory services or supplier resources offered by government agencies

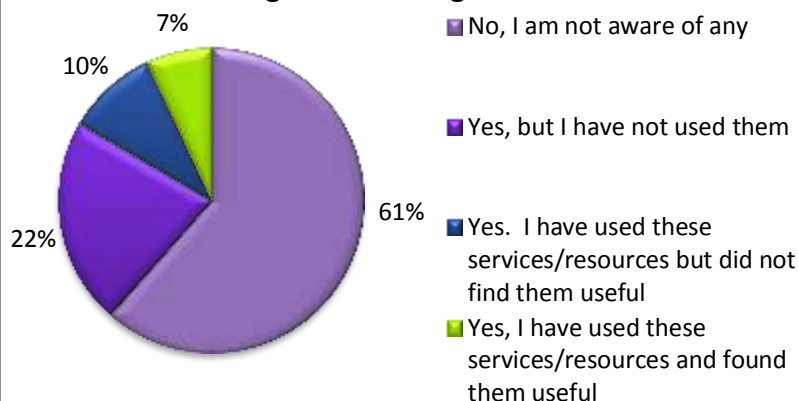
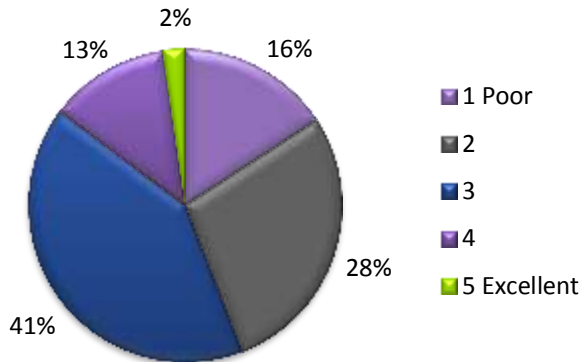


Figure 30. Overall quality of government procurement activity



Overall quality of government procurement activity

This year a question was introduced which asked businesses to rate the overall quality of government procurement activity, including initial engagement, tender activity and contract management. Nearly half of all businesses (44%) rated government negatively on this measure (Figure 30).

Businesses that primarily contracted with central government departments gave slightly higher scores than those that contracted primarily with other agency types (Figure 31). With the exception of medium-sized businesses, the larger a business was the more positive they were about the overall quality of government procurement (Figure 32).

Figure 31. Overall quality of government procurement activity by agency type

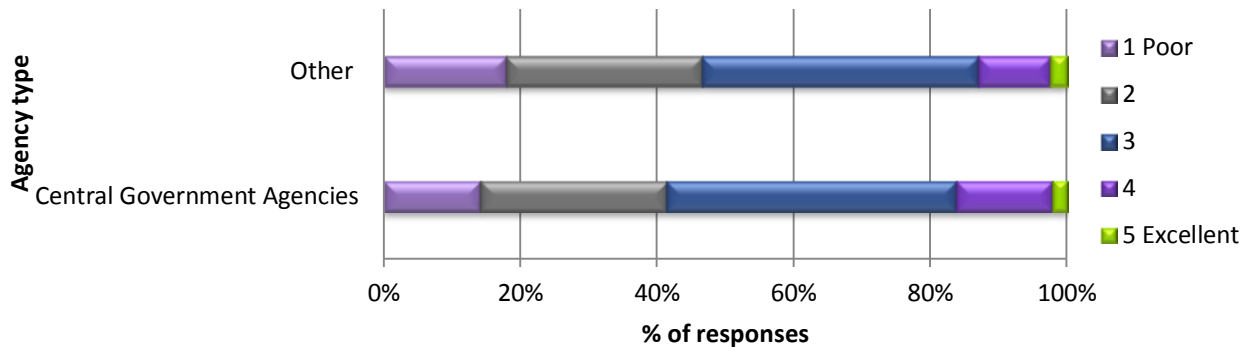
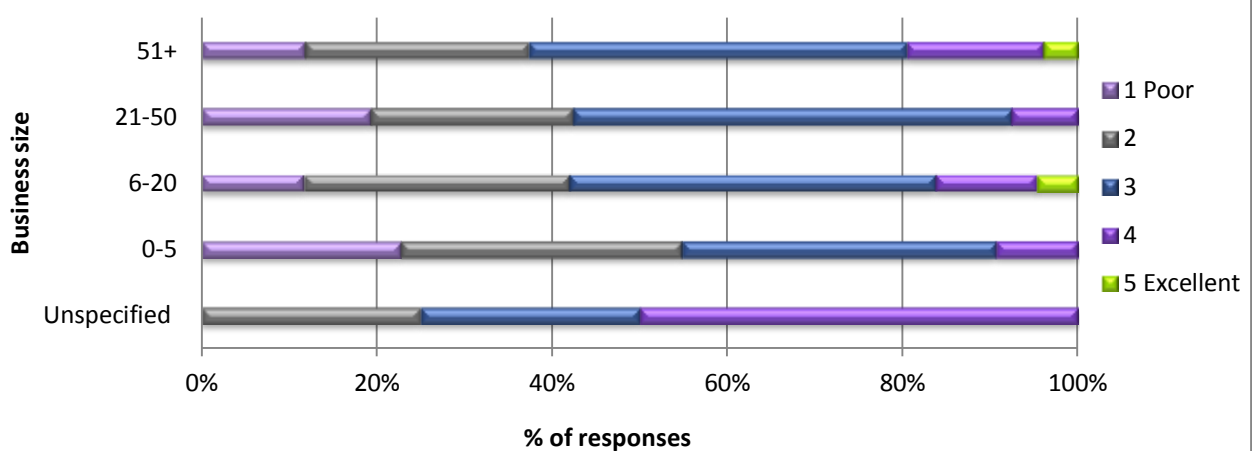


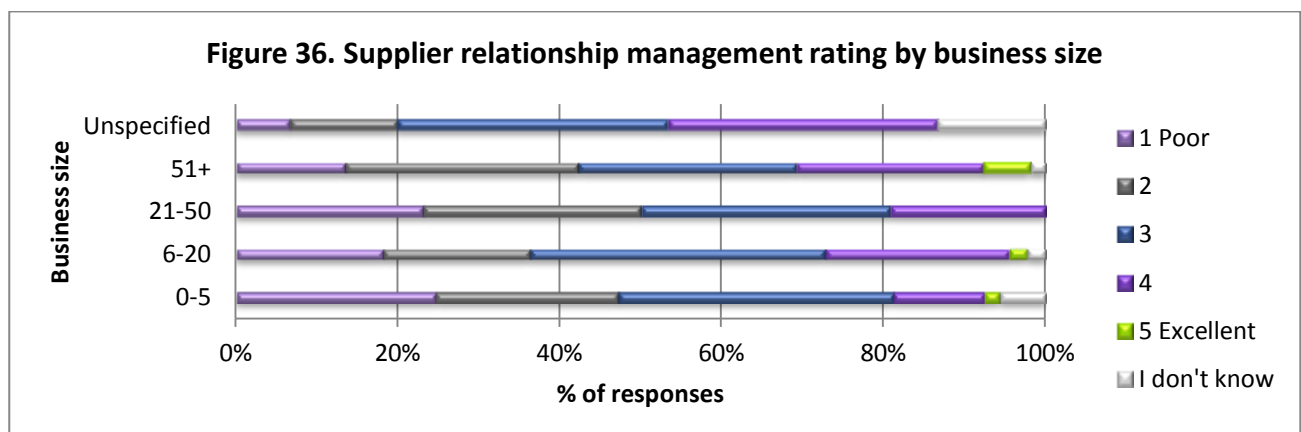
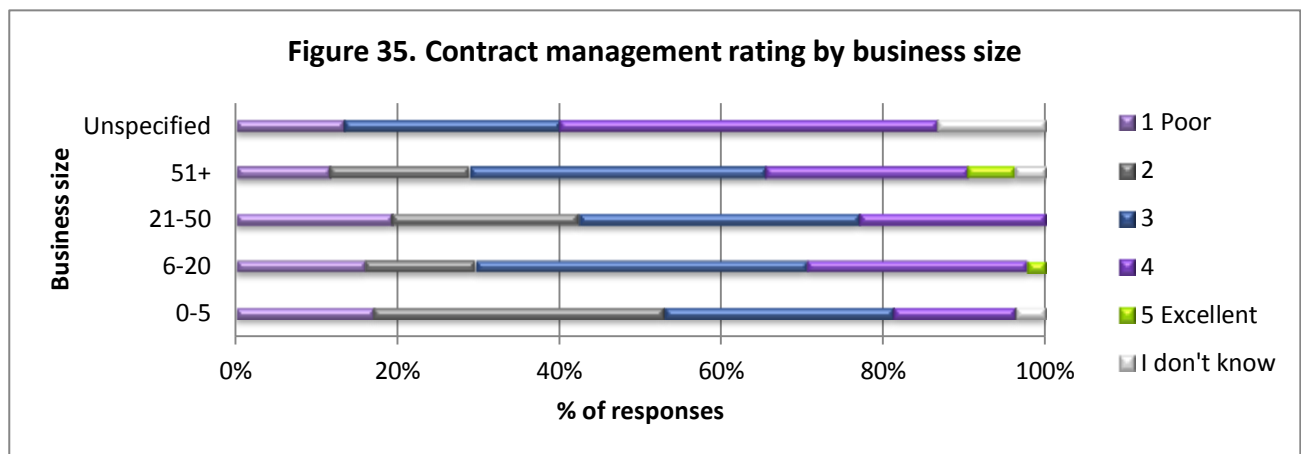
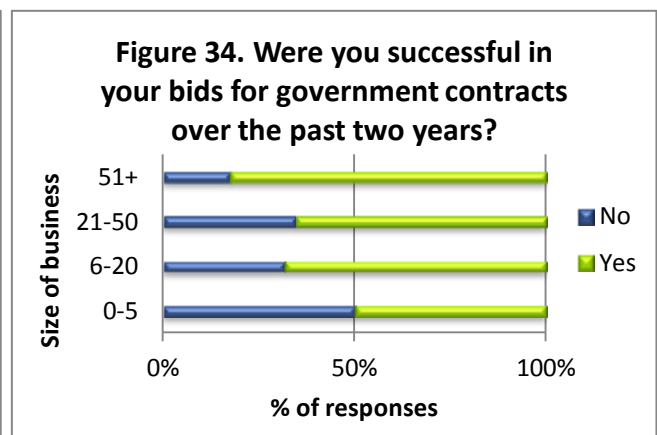
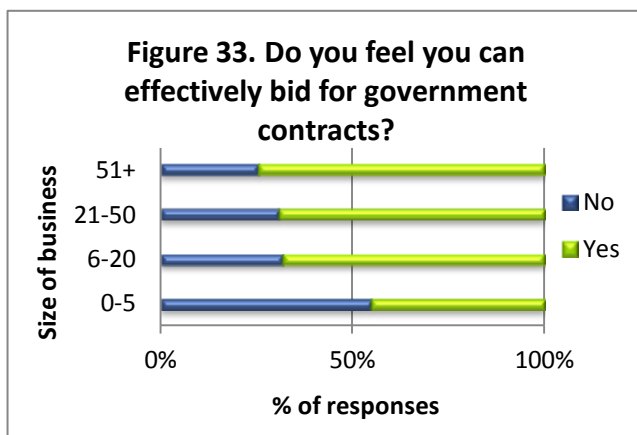
Figure 32. Overall quality of government procurement activity by business size



The Influence of Size

Results show that perceptions of government procurement vary depending on the size of the business. Generally, the smaller a business was the more difficult they found it to tender and contract with government agencies (Figure 33). Micro businesses were the least successful at securing government contracts (Figure 34) and were generally more critical of government's contract management (Figure 35), supplier relationship management (Figure 36) and overall quality across the procurement process (Figure 32). However, this was not true for questions asked about tender timeframes. The larger a business, the more critical they were of the sufficiency of time to respond during a procurement process (Figure 13).

Medium-sized businesses with between 21 and 50 FTEs were slightly more critical about government procurement practices and less successful than smaller businesses of between 6 and 20 FTEs. This is consistent with the results from last year's survey.



Government as a Buyer

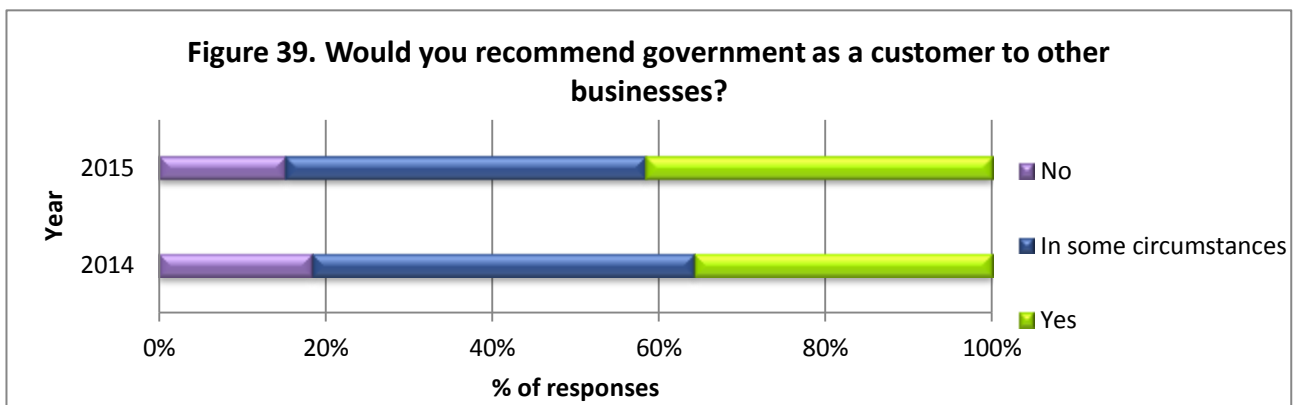
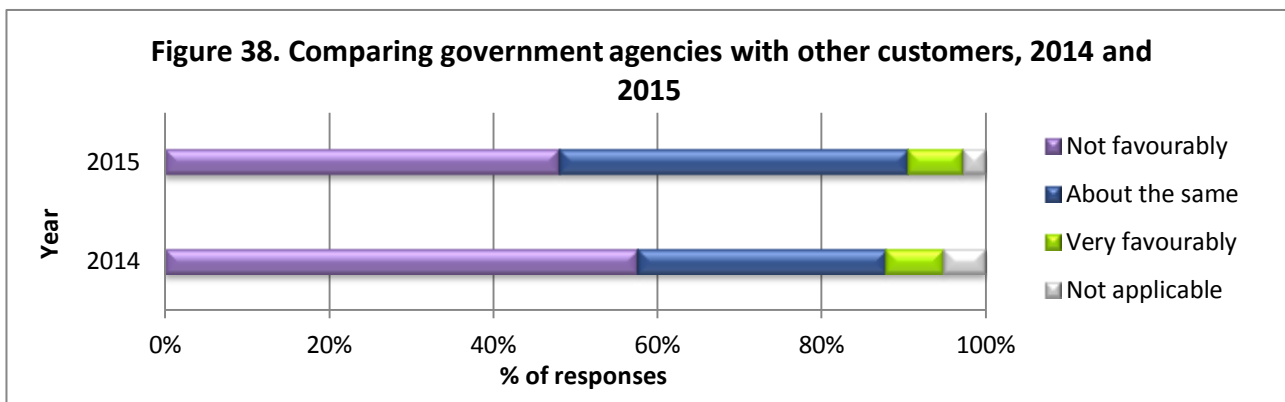
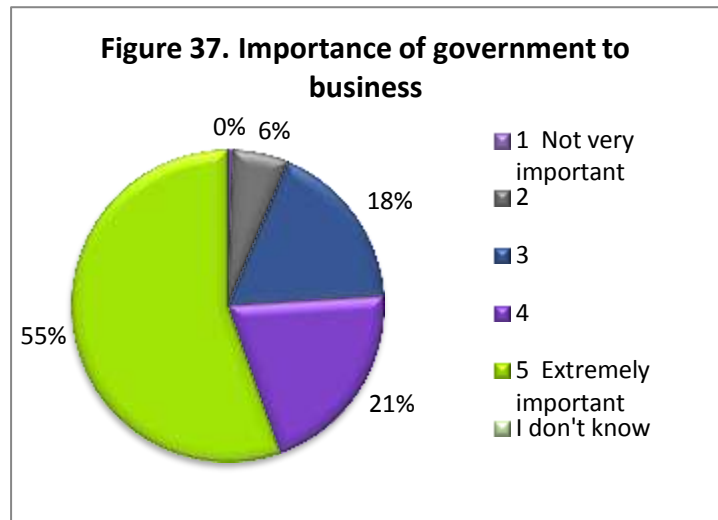
The importance of government business

The majority of businesses surveyed considered government business important to their organisation (Figure 37). Less than 1% of those surveyed reported that government was “not very important”.

Government compared to other customers

This year businesses were more positive about government agencies compared with their other customers. Just under half of respondents (49%) said that government was about the same or compared favourably with their other customers. While 48% of respondents still thought government compared unfavourably, this is an improvement from last year when 58% of businesses gave this response (Figure 38).

Businesses surveyed were also more likely to recommend government as a customer to other businesses than last year (Figure 39). Approximately 41% of respondents would recommend government to others, up from 35% in 2014, and an additional 43% would do so in some circumstances. The percentage who would not recommend government dropped from 18% to 15%.



Businesses that supplied to multiple international governments were less negative about how government compared with other customers than those who only supplied government in New Zealand (Figure 40).

