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**NEW ZEALAND
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New Zealand Government Procurement Business Survey 2016

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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 that government agencies work with suppliers. This forms a part of a programme led by New Zealand Government Procurement aimed at improving government commercial practice.

This year's business survey was the third to be conducted since 2014. Responses were open from 1 April to 30 April 2016 and a total of 1,983 businesses participated, an increase from 666 in 2014 and 277 in 2015.

Results from previous surveys have provided significant insight into government procurement and a number of developments to improve practice have been implemented over recent years. These include:

- publishing construction procurement guidance for government agencies;
- launching online procurement training modules;
- piloting tender templates for government agencies;
- extending the Government Rules of Sourcing to cover a total of 135 agencies and updating them following feedback from agencies and businesses;
- developing guides and templates for agencies on providing debriefs after tender bids;
- publishing useful resources for suppliers on how to find contract opportunities, respond to government tenders and how to work with government;
- re-launching the Government Electronic Tenders Service (GETS) with enhanced features to make it easier for businesses to access government tender opportunities; and
- developing a framework and guidance for agencies on how to manage significant and critical contracts, set to be released in the coming months.

Key Findings 2016

There are some areas of improvement, particularly in contract management...

- Results from the 2016 business survey show an improvement in the quality of government's contract management.
- Businesses were more positive about the performance of their contract managers.
- The number of agencies holding regular contract review meetings has increased.

but there are still areas where more work is required...

- Results show that government's supplier relationship management requires significant improvement.
- Many agencies do not provide helpful feedback after a tender response or during contract review meetings.
- Approximately half of all businesses rated the overall quality of government procurement activity negatively.

and some key trends have emerged.

- How respondents perceive and find the experience of working with government can vary depending on sector.
- Overall, businesses in 'personnel related', 'services', 'energy and utilities', and 'office solutions' sectors were the most positive about government procurement and those in 'professional services consultancy', 'marketing and media', and 'operational goods and services' sectors were generally the least positive.
- Businesses which rated government as more important to them were generally more positive about all aspects of government procurement than those who rated government as less important.
- Larger businesses were generally more positive about government procurement than their smaller counterparts, except with regards to the time provided to respond to tenders.

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 categorised as:

- Micro (0-5 FTEs)
- Small (6-20 FTEs)
- Medium (21-50 FTEs)
- Large (51+ FTEs)

Score: On a number of occasions in the business survey, businesses were asked to choose a value on a scale from 1 (Most negative; e.g. Poor or Strongly Disagree) to 5 (Most positive; e.g. Excellent or Strongly Agree). Scores of 1 or 2 were considered to be negative, a score of 3 was neutral, and scores of 4 or 5 were positive.

Sector: Results have been analysed by sector. A total of 21 options were available to respondents, ranging from 'Clinical, medical and laboratory' to 'Waste Management', and respondents were able to make multiple selections. For statistical validity, only sectors with 30 or more respondents were included in the additional analyses looking at sector.

Limitations and the impact of a larger sample

The wording for a number of questions was changed from previous business surveys following feedback from businesses. Although this has improved the clarity of the questions, it has made it more difficult to compare the 2016 results with those from the 2014 and 2015 surveys.

Comparison with previous surveys is also more difficult as the results indicate that the 2016 sample varies from that of the 2015 survey. This year's sample appeared to differ from 2015's in a number of respects:

- Respondents did not know as much about the way government procures and how agencies operate
- Awareness and knowledge of the Government Rules of Sourcing was lower
- Businesses knew less about how to complain about a procurement activity
- Government business is not as important
- Government is not as big a customer

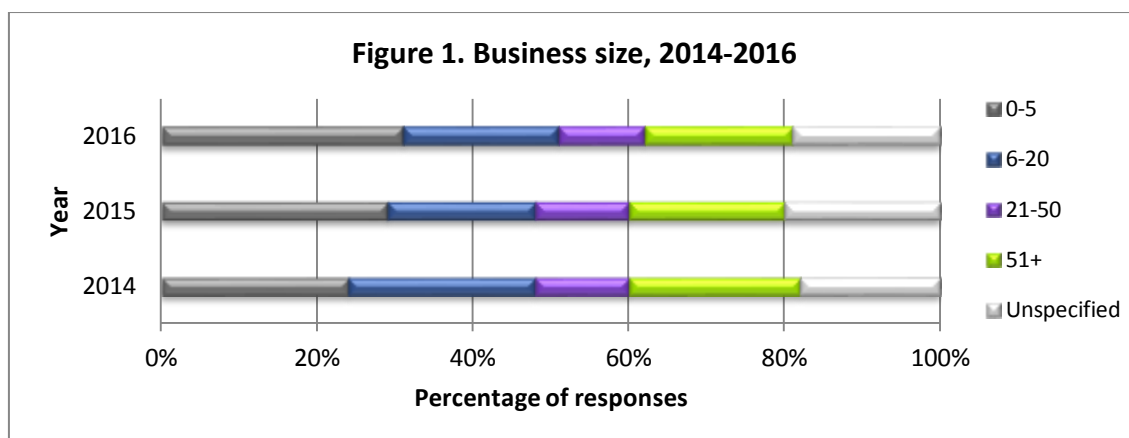
It is likely that a large increase in the number of respondents accounts for this difference. A total of 1,983 completed the survey, compared to 277 in 2015 and 666 in 2014.

It is probable that the sample is more representative of the target population and has produced results which are more valid and reliable. Although comparisons with previous years' results have been made, it is with the caveat that the sample may be different.

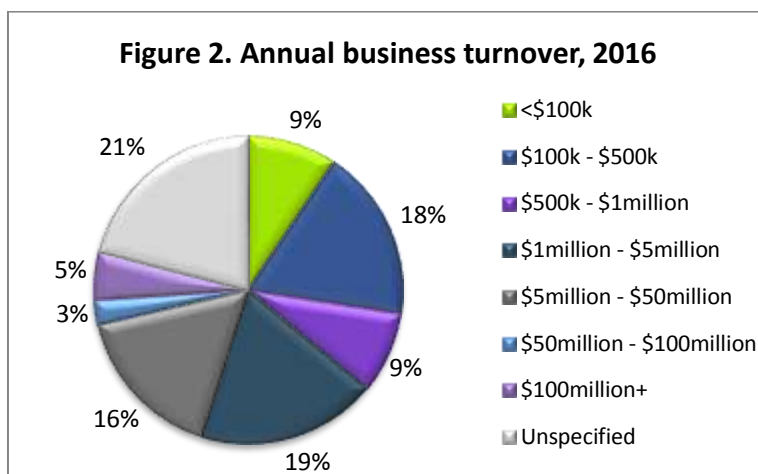
Business Profile

Business size, turnover and ownership

The proportion of micro, small, medium and large businesses which participated in the 2016 business survey was similar to that of previous years (Figure 1). Approximately 51% of respondents were micro or small businesses, 30% were medium or large businesses, and 19% chose not to specify.



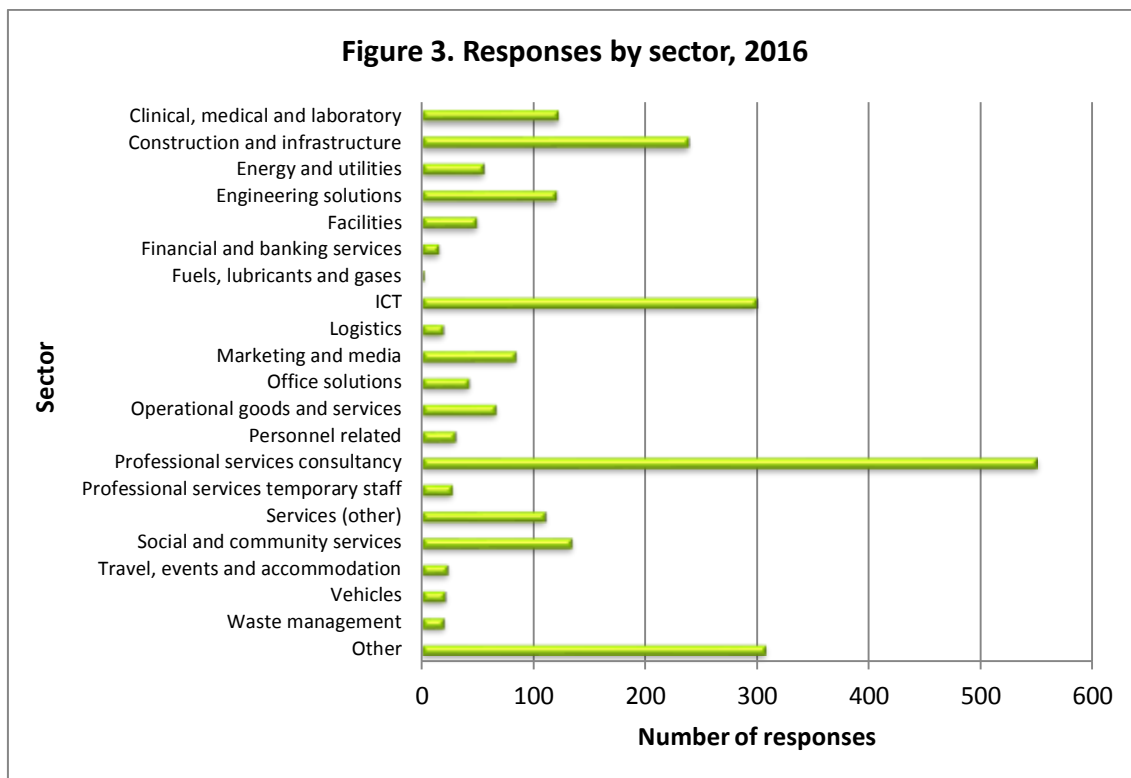
The annual turnover for businesses ranged from less than \$100,000 per year to over \$100 million per year, with a relatively even spread across categories (Figure 2). Approximately a third (36%) turned over less than \$1 million per year and 43% turned over more than \$1million. 21% chose not to specify.



Similar to previous surveys, the majority of businesses surveyed (69%) said that their ownership was based in New Zealand. This was followed by Australia (5%) and North America (3%). Approximately 19% of respondents did not specify where their company's ownership was based.

Business type

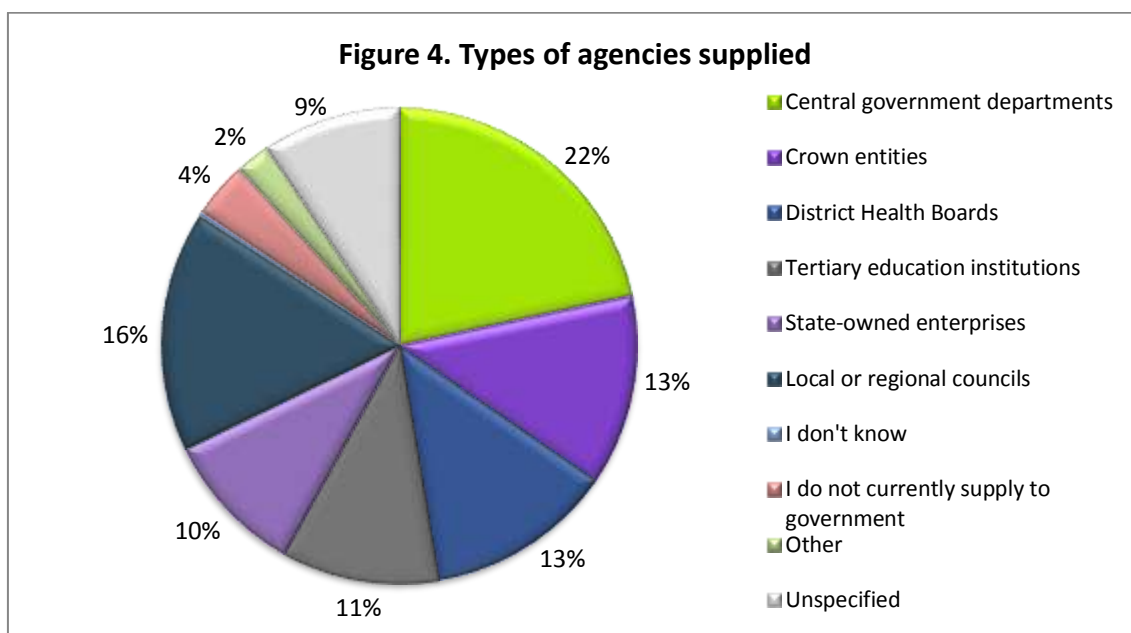
Respondents were asked to specify the main field(s) of their business. As shown in Figure 3, the largest groups were 'professional services consultancy' (28%), 'information and communication technology' (15%) and 'construction and infrastructure' (12%).



Governments and agencies supplied

Businesses were asked to specify which international governments they supply. Nearly 99% of respondents supply to the New Zealand government, followed by 25% to the Australian government, 13% to Asian governments and 9% to North American governments.

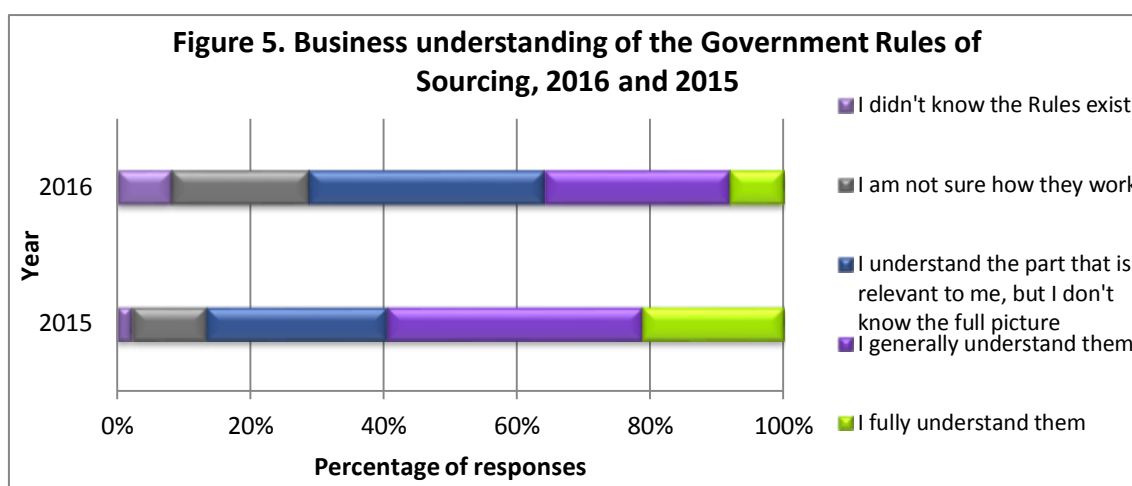
Respondents were also asked to specify the types of New Zealand agencies they supply (e.g. central government departments, state-owned enterprises). Approximately 50% said that they supplied to more than one type of agency. Central government departments was the biggest agency type supplied to, followed by local/regional councils, crown entities and District Health Boards (Figure 4).



Business knowledge of government procurement

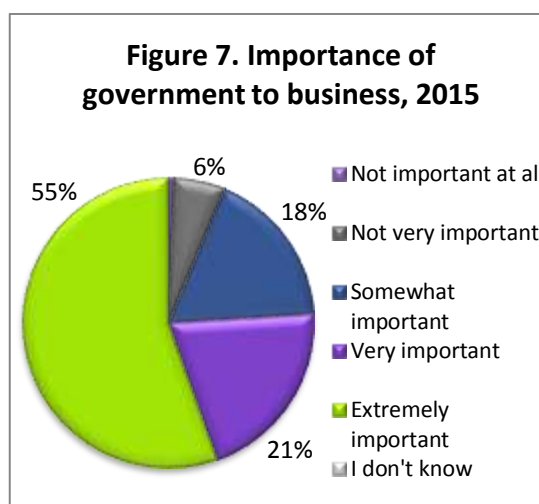
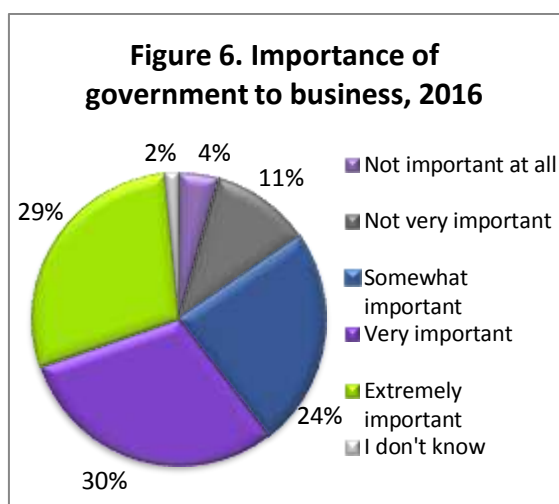
The results indicate that respondents' understanding of government procurement was not as great when compared to previous business surveys. In 2015, 55% understood how the government procures and the way different types of agencies operate, whereas in 2016 this was only 35%.

There were a greater number of respondents with little knowledge of the Government Rules of Sourcing than in 2015 (Figure 5). Knowledge of complaints processes for suppliers was also lower than in the previous survey. Nearly two-thirds of respondents (61%) were unaware of the complaints processes, compared to 48% in 2015.



The importance of government business

Government business was not as important to respondents as in previous surveys. Nearly a third (29%) considered government to be extremely important to their organisation, with 15% saying government was not very or at all important (Figure 6). This is in contrast to 2015, where 55% considered government business to be extremely important and only 6% thought it not very or at all important (Figure 7).

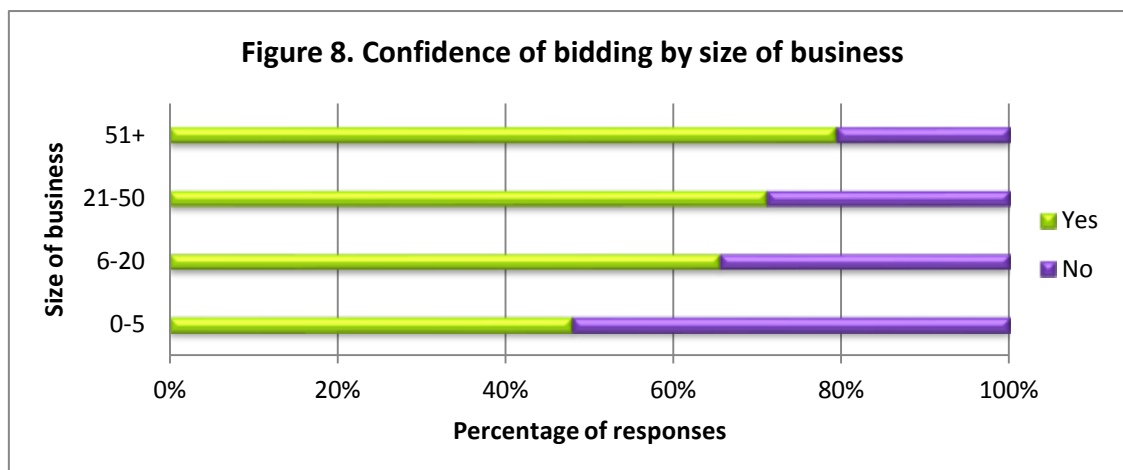


Factors Relevant to Participation and Success

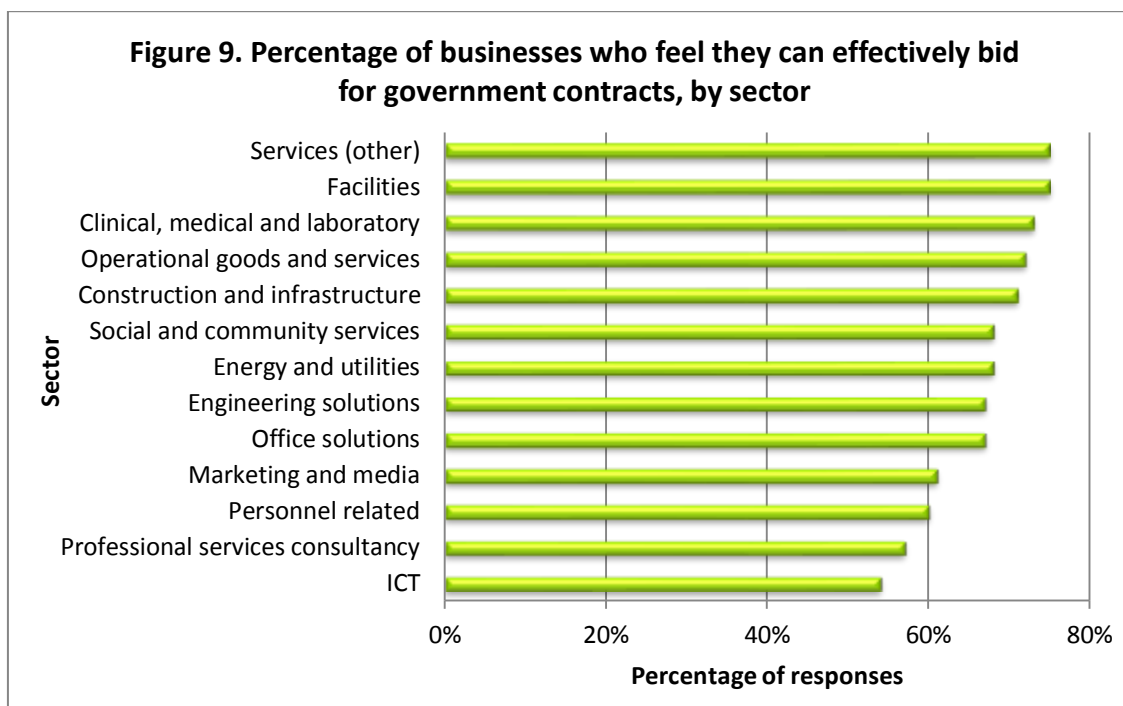
Confidence

Businesses were similarly confident when bidding for government contracts when compared to 2015. Those which have bid for a government contract in the last five years were also more confident (62%) than those which have not (51%).

The size of a business was an important determinant of confidence. The larger a business was the more confident they were that they could effectively bid for government contracts (Figure 8).



Confidence also varied across sectors. Respondents from the 'services', 'facilities', and 'clinical, medical and laboratory' sectors were the most confident when bidding for government contracts and those in the 'personnel related', 'professional services consultancy' and 'Information Communication Technology' sectors were the least confident (Figure 9).



Success factors

Respondents were asked to specify what factors help them to bid effectively for government contracts and the factors which reduced their bid effectiveness (Figures 10 and 11).

- **Factors which increase bid effectiveness:** Businesses rated 'experience in the market place', 'clear information and processes' and 'engagement and dialogue with government agencies' as the three most important success factors.
- **Factors which reduce bid effectiveness:** Businesses rated 'complex information and processes', 'the size of my business' and 'lack of engagement and dialogue with government agencies' as the three most important factors which reduce bid effectiveness.

Figure 10. Factors perceived to increase bid effectiveness

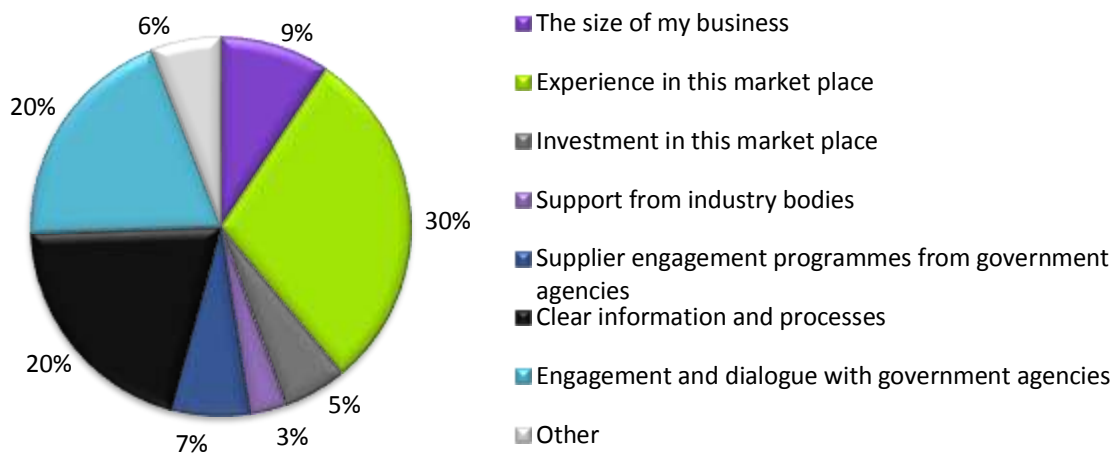
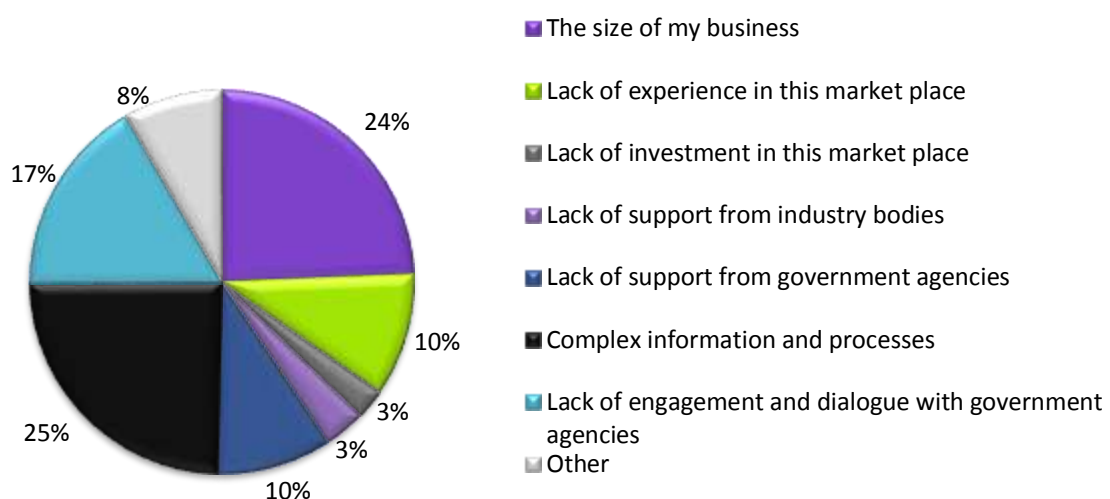


Figure 11. Factors perceived to reduce bid effectiveness



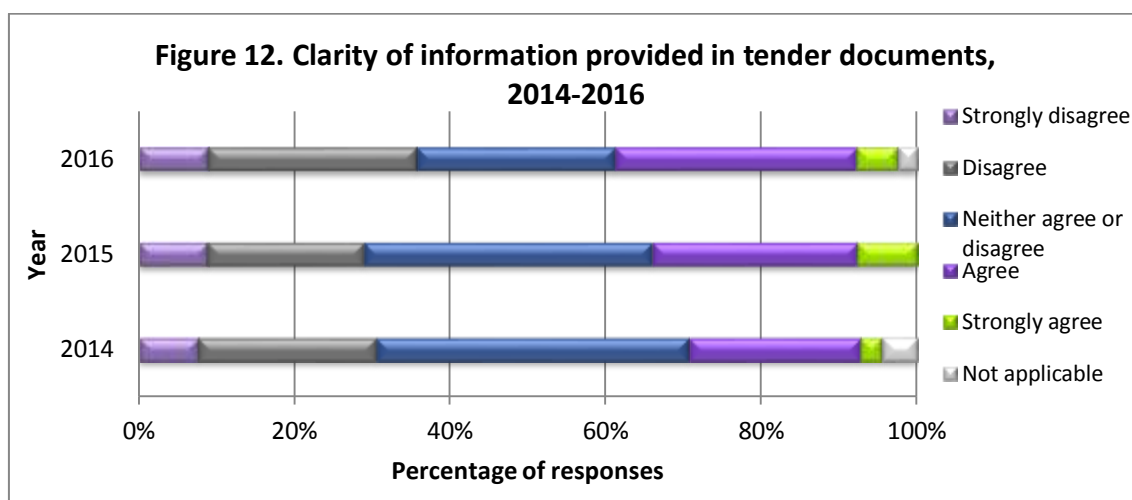
Bidding for Government Contracts

Quality of tender documents

Business 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, more negative and less neutral on both of these measures than in previous surveys.

Tender clarity

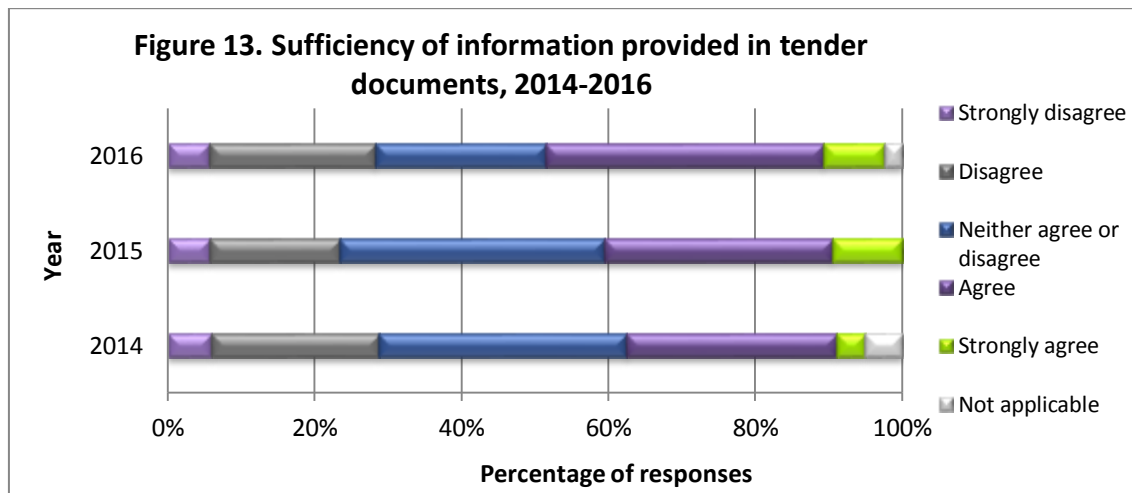
In 2016, 38% indicated that the information contained in tender documents provided by government agencies was clear and easy to understand (Figure 12). This was an increase from 34% in 2015. However, 35% rated tender clarity negatively, an increase from 29% in 2015.



Information sufficiency

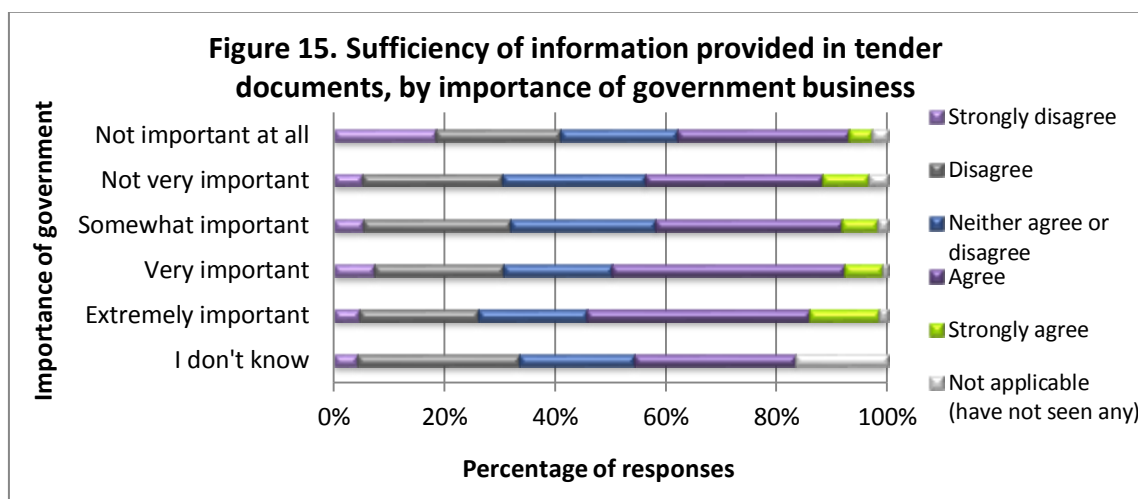
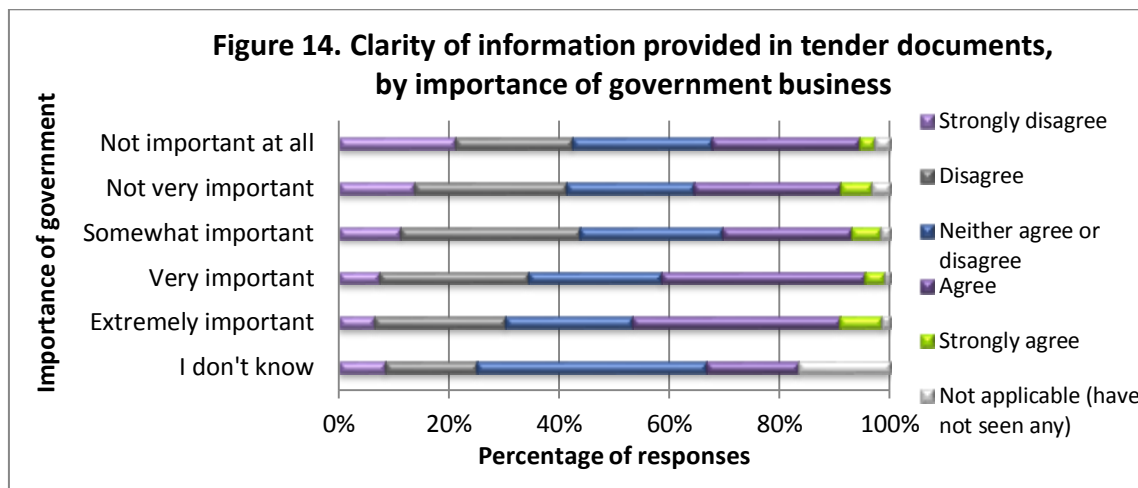
As shown in Figure 13, there was an increase in the proportion of businesses which reported that tender documents provided by government agencies provided sufficient information. In 2016, 47% of respondents gave a positive rating, up from 40% in 2015 and 32% in 2014.

Nearly a third of respondents (29%) provided a negative rating on this measure. This was similar to the results obtained in 2014, but slightly more negative than in 2015.



Importance of government business and tender documents

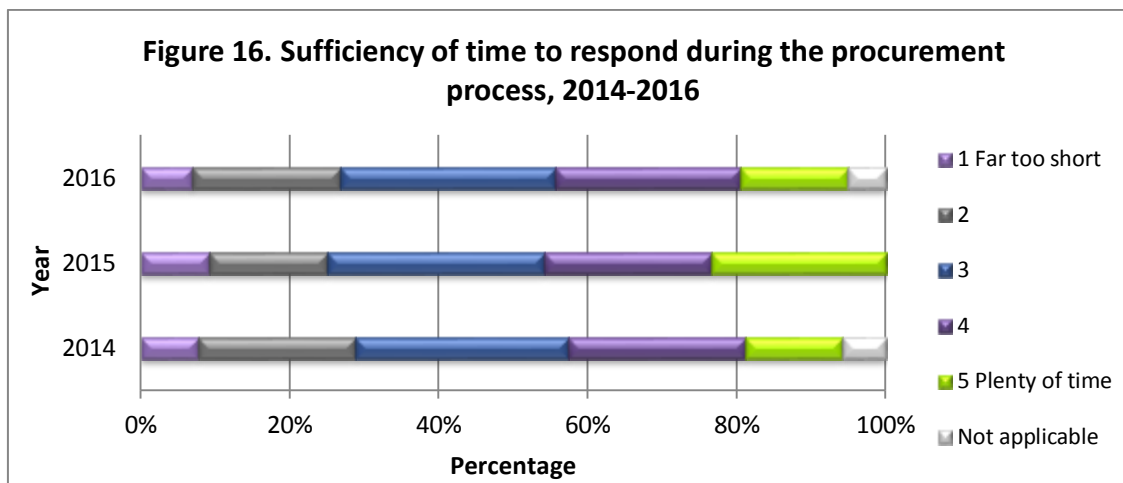
The more important government is to a business, the more positive they were about tender documents. Of those which rated government as “extremely important”, 45% were positive about the clarity of tender documents and 53% were positive about the sufficiency of information provided (Figures 14 and 15). Of those which rated government as “not important at all”, only 30% were positive about the clarity of tender documents and 35% were positive about the sufficiency of information provided.



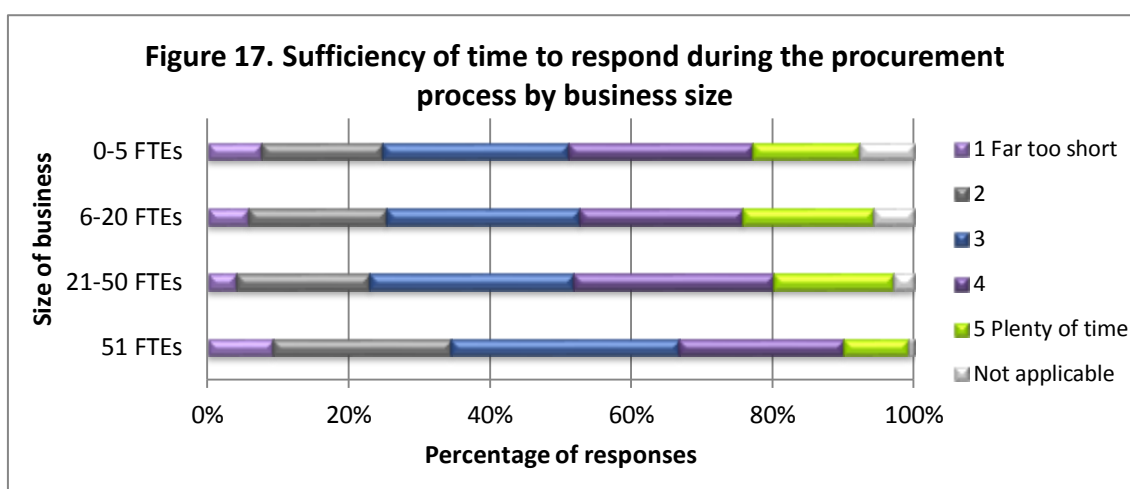
Overall, tender documents are being rated more positively by businesses over time. However, due to a reduction in neutral responses there have also been a slightly higher proportion of businesses which have rated government’s tender documents more negatively when compared to the 2015 results. This suggests that improvement in this area is still needed.

Time provided to respond to government tenders

Businesses were asked whether they had been provided with enough time to respond during the procurement process. Overall, respondents were less positive and more negative about the time provided to respond than in 2015 (Figure 16). However, the results were very similar to what was found in 2014.

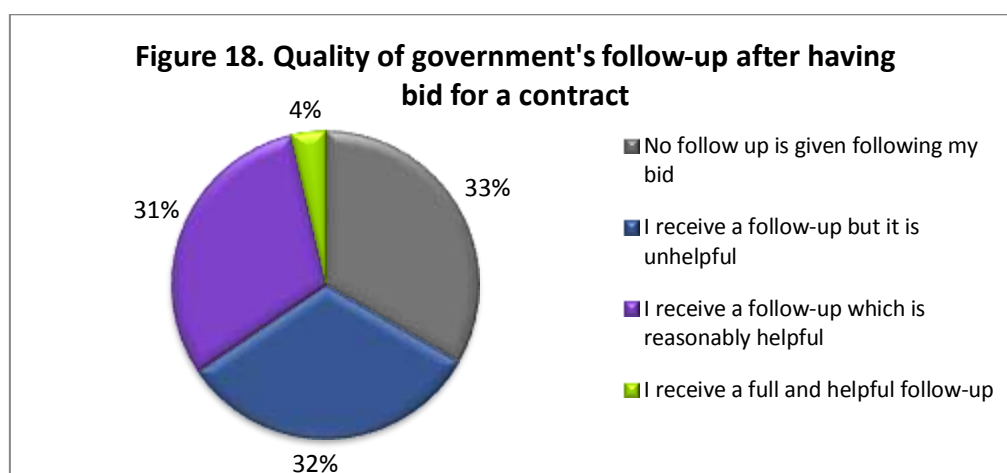


Micro, small and medium sized businesses rated government similarly on this measure (Figure 17). However, similar to last year's results, larger businesses were more critical of the time provided by government agencies to respond to tenders.



Feedback after a tender response

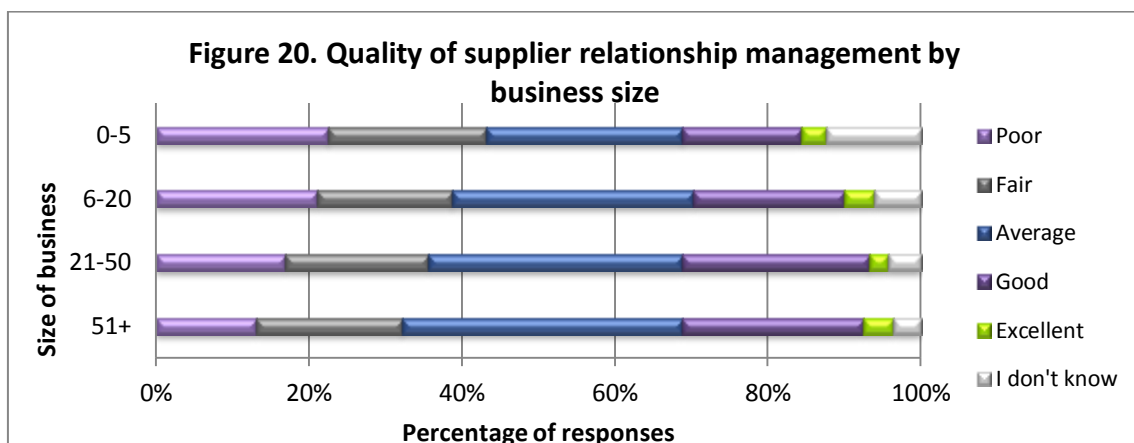
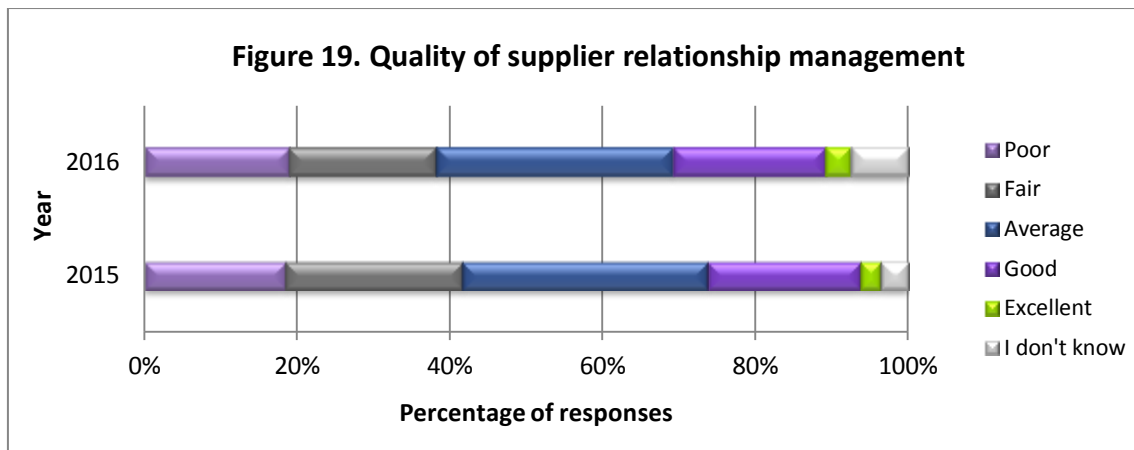
Businesses were asked to rate the quality of the feedback they received from government agencies after having bid for a contract. Over two thirds (67%) had received some form of feedback or follow-up and 35% had found this feedback at least reasonably helpful (Figure 18). This is less positive than in 2015, where 44% had found feedback at least reasonably helpful.



Working with Government

Supplier relationship management

Businesses were asked to rate how well government agencies manage their supplier relationships. Similar to 2015, 23% responded positively, and there was a small decrease in the percentage of negative responses (Figure 19). Generally, the smaller a business is the more critical they are of how government agencies manage supplier relationships (Figure 20).



Contract management

Businesses were significantly more positive about the quality of government's contract management than in previous surveys (Figure 21). Approximately 40% of respondents gave a positive rating for this measure in 2016, in contrast to 15% in 2014 and 26% in 2015. They were also less negative, with only 24% rating government negatively in comparison to 36% in 2015.

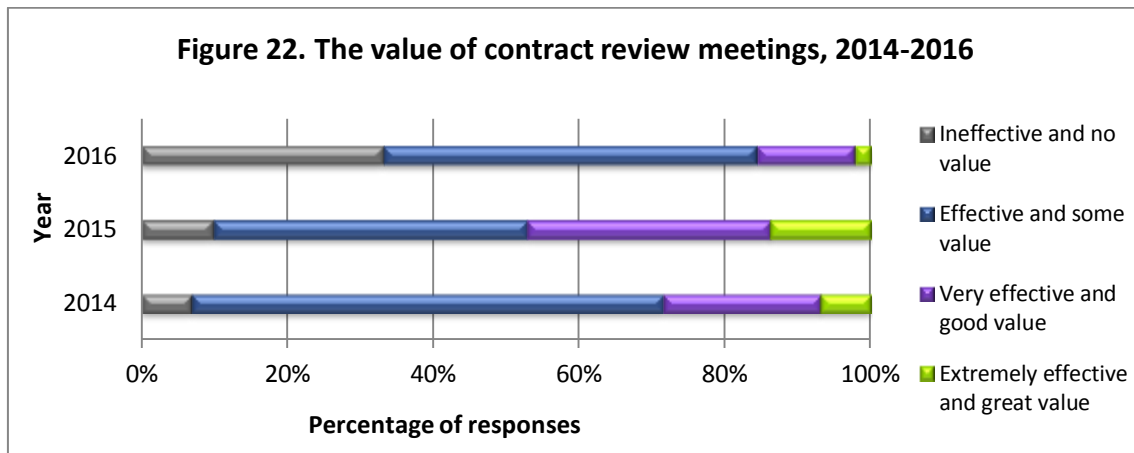
Businesses were also generally more satisfied with the performance of their contract managers. This year, 53% rated 'the level of professionalism and knowledge' of their contract manager positively, an increase from 32% in the 2015 survey. Respondents also rated contract managers more positively on 'the timing of transactions', 'the quality of decision making', 'clear communication', 'openness to innovation or new ideas', and 'incentivising performance'.



Contract review meetings

The number of government agencies holding regular contract review meetings has increased, rising from 28% in 2015 to 41% in 2016. However, respondents rated the quality of these contract review meetings more negatively than in previous years.

Two thirds (67%) of businesses found at least some value in the regular contract review meetings they are involved with (Figure 22). However, a third (33%) of respondents found that on average contract review meetings are ineffective and of no value. This is an increase from 10% the year before.



Procurement Facilitating Innovation

A new question was introduced in 2016 which asked businesses how often their innovative proposals to government had been adopted (Figure 23). Approximately 20% had never made an innovative proposal and 21% reported that that their innovative proposals are never adopted by government agencies. Nearly a third (32%) said that their proposals are sometimes or often adopted by government.

Almost three quarters of businesses (74%) said that they would be comfortable sharing innovative ideas with government in the future (Figure 24). Ten percent said that they were not and 16% did not know.

Figure 23. Incidence of government adopting innovative proposals

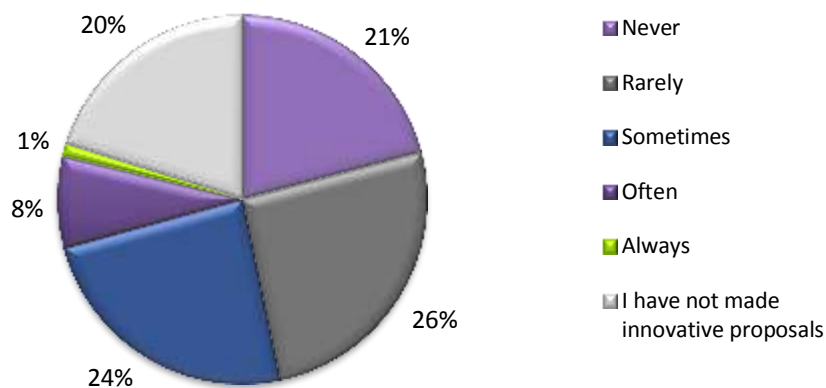
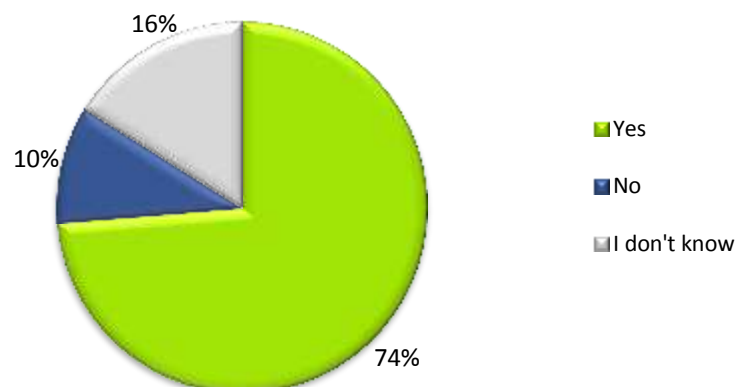
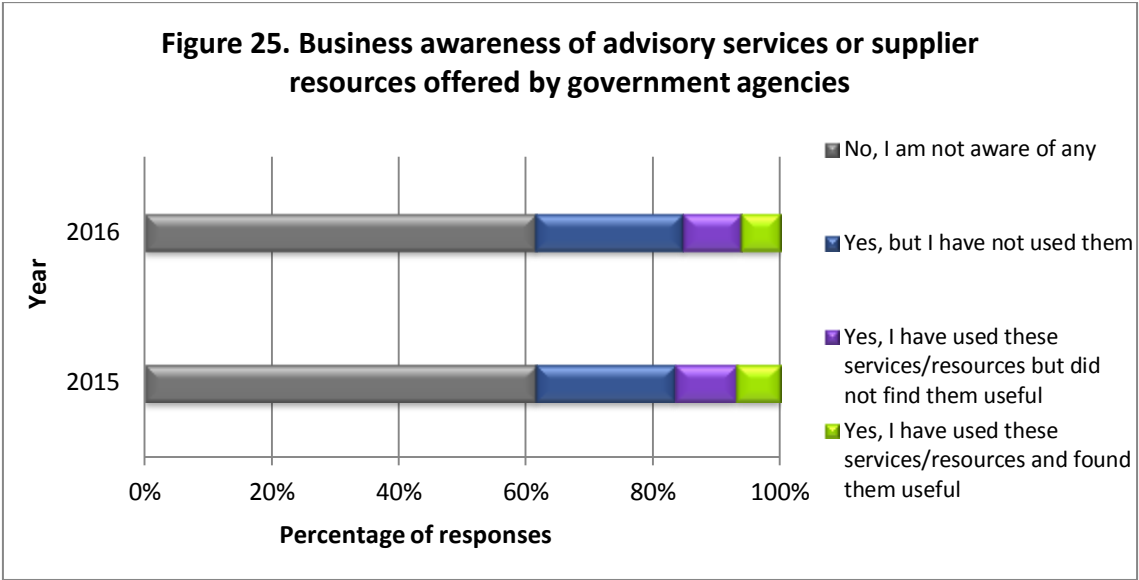


Figure 24. Business comfort with sharing innovative ideas in the future



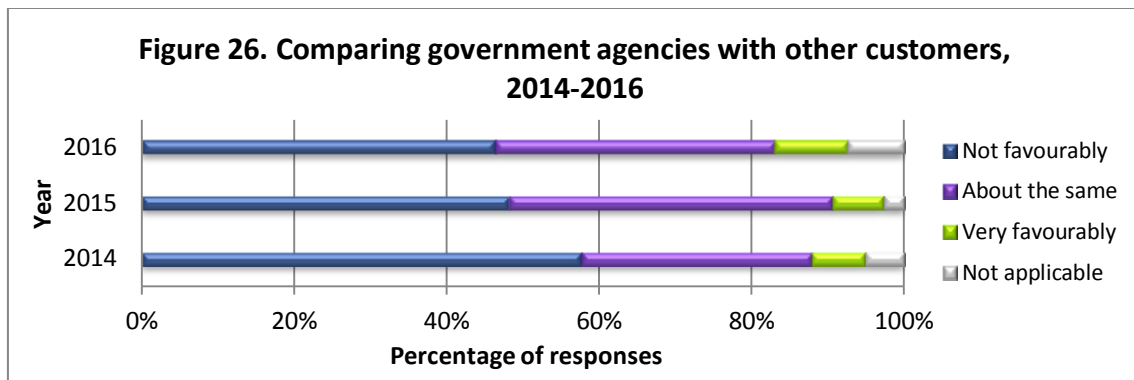
Supplier Resources

The majority of businesses surveyed (61%) were not aware of any advisory services or supplier resources offered by government agencies (Figure 25). Few (15%) had used these resources in the past, with only 6% finding them useful. This closely mirrors the results from the 2015 survey.



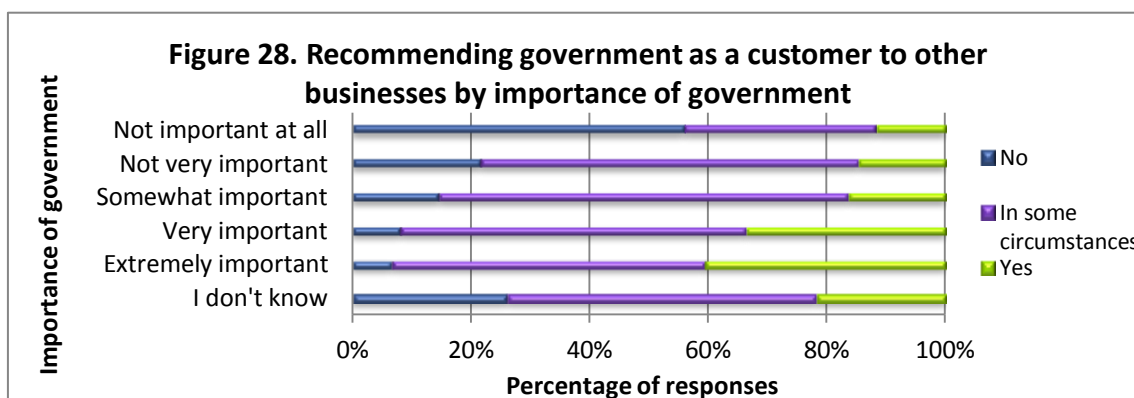
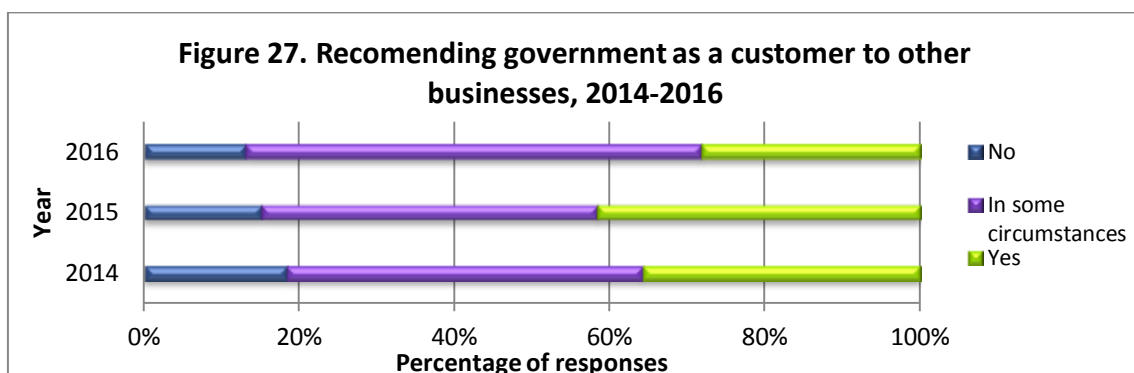
Government as a Buyer

Businesses were asked to rate how government agencies compare with their other customers. Just under half of respondents (46%) said that government was about the same or compared favourably with their other customers (Figure 26). This reflects a similar result from 2015.



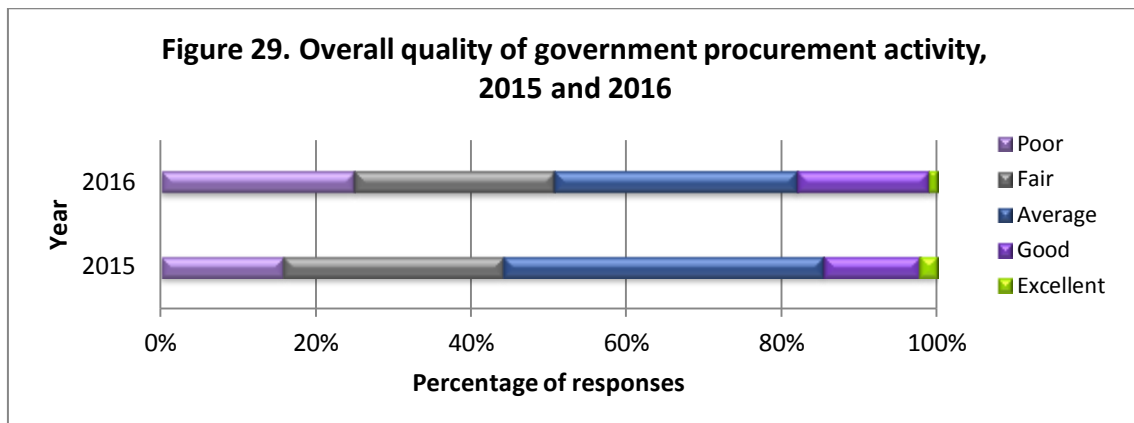
Respondents were also asked whether they would recommend government as a customer to other businesses. Twenty eight percent said they would, with 59% saying that they would in some circumstances (Figure 27). The percentage who would not recommend government dropped slightly from 15% to 13%.

The more important government is to a business, the more likely they are to recommend it to other businesses (Figure 28). For those which rated government as “extremely important”, 41% would recommend government to other businesses. This compares to just 12% of those who rate government as “not important at all”.

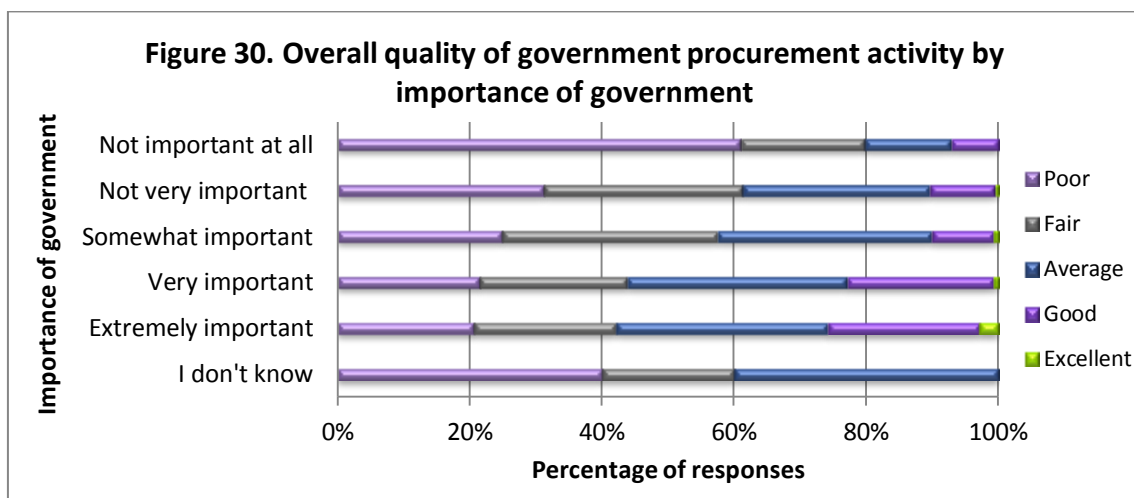


Overall Quality of Government Procurement Activity

Businesses were asked to rate the overall quality of government procurement activity, including initial engagement, tender activity and contract management. The percentage of respondents which rated government positively on this measure was slightly higher than in 2015, increasing from 15% to 18% (Figure 29). However, businesses which rated government negatively increased from 44% in 2015 to 51% in 2016. The increase in both positive and negative responses was possible due to a decrease in the percentage who rated government neutrally.



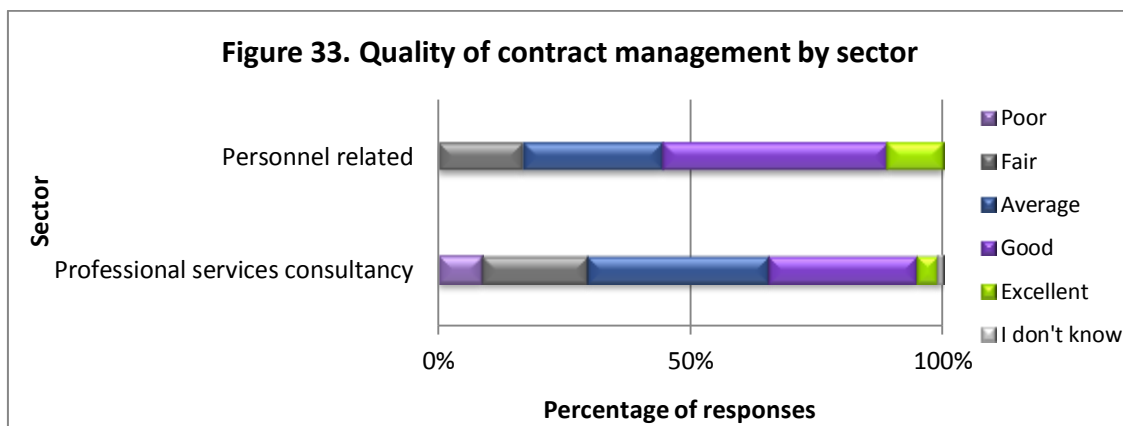
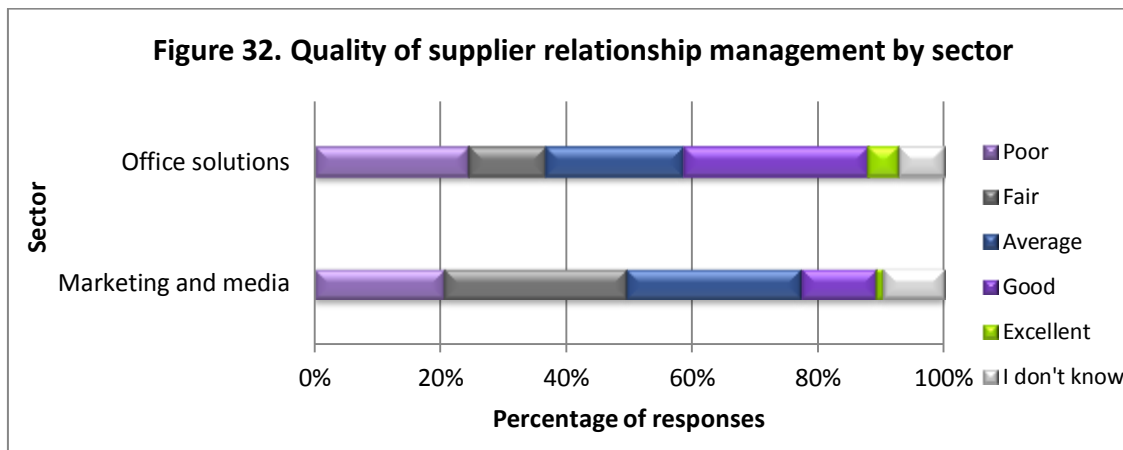
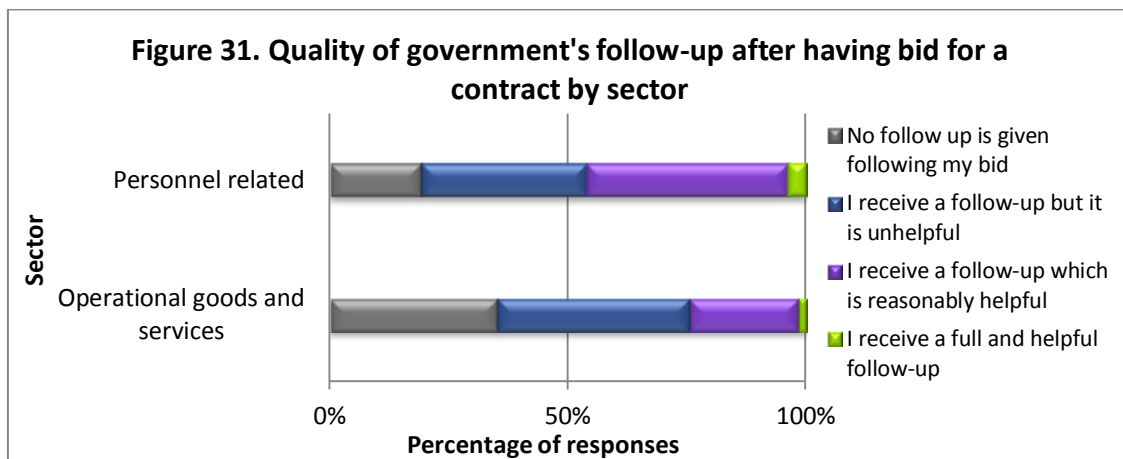
How respondents rated the overall quality of government procurement was related to how important government business is to them. As shown in Figure 30, businesses which said that government was extremely important to them were the most positive (26%), whereas those which said that government was not important at all to them were the most negative (80%).

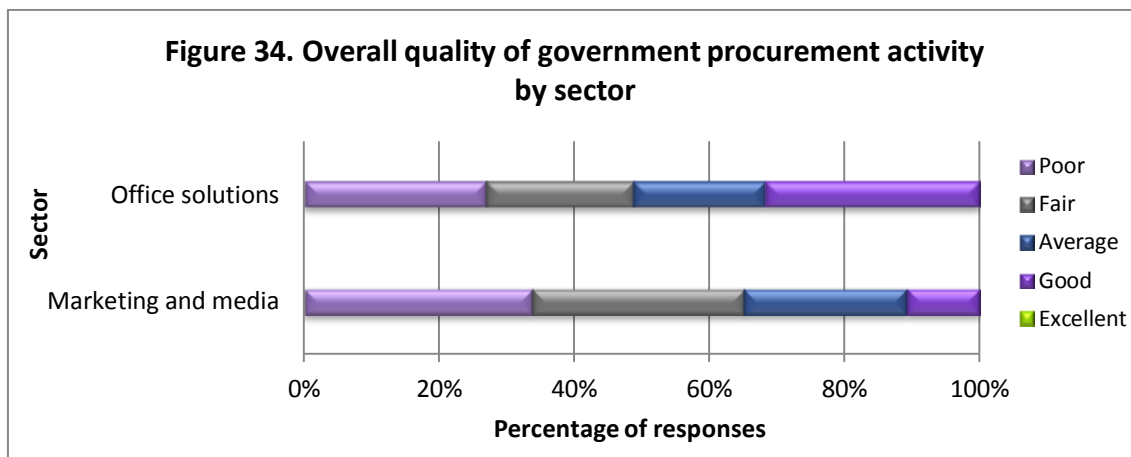


The Influence of Sector

The results suggest that how respondents perceive and find the experience of working with government varies depending on the sector. Overall, businesses in the 'personnel related', 'services', 'energy and utilities', and 'office solutions' sectors were the most positive about government procurement. Conversely, those in the 'professional services consultancy', 'marketing and media', and 'operational goods and services' sectors were generally the least positive about government procurement.

To demonstrate these differences, the most positive and negative sectors for some of the key measures of the 2016 business survey are provided below.





There were also differences across sectors in how positively they compared government to other customers and how likely they were to recommend government to other businesses. Over half of respondents (56%) from the 'energy and utilities' sector said that government was about the same or compared favourably with their other customers (Figure 35). This compares with just 37% of respondents from the 'Information Communication and Technology' (ICT) sector.

As shown in Figure 36, 42% of businesses from the 'services' sector would recommend government as a customer to other businesses and nearly all (96%) from the 'energy and utilities' sector would recommend them in at least some circumstances. Businesses from the 'ICT' sector were the least likely to recommend government as a customer to others.

