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INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

**NEW ZEALAND
GOVERNMENT PROCUREMENT**



New Zealand Government Procurement Business Survey 2018

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Introduction

New Zealand Government Procurement Business Survey

New Zealand Government Procurement (NZGP), a branch within the Ministry of Business, Innovation and Employment, runs an annual business survey to understand businesses' experiences of government procurement. The survey identifies businesses' perceptions of the quality of government procurement and their experiences when doing business with government. These results (along with other data) help us to track the impacts of government's efforts to improve procurement practice.

In March 2018, the fifth edition of this survey was run. A personalised invitation to participate in the survey was sent to everyone who had subscribed to a tender on the Government Electronic Tenders Service (GETS). A link to the survey was also advertised on GETS, and was made available on the NZGP website. The survey was open from 6 March to 10 April 2018 and a total of 2,534 responses were received. This is compared to 2,095 responses in 2017, 1,983 in 2016, 277 in 2015 and 666 in 2014.

Previous surveys have identified areas where government could improve its procurement practice to better partner with businesses and more effectively procure goods and services. Some developments that have taken place over the last couple of years as a result of the areas identified in the survey include:

- delivering contract management training to over 150 government agency officials from ten government agencies;
- delivering a procurement breakfast session about supplier debriefs, aimed at increasing agencies' ability to give helpful and constructive feedback after a tender has closed;
- establishing the Procurement Capability Index, a self-assessment tool that measures agencies' procurement capability;
- continuing to encourage government agencies to use standardised templates (where appropriate) to reduce duplication, improve consistency and increase clarity in tender documents and contracts;
- creating the Significant Services Contracts Framework to provide guidance to managers of high risk and/or high value contracts that are critical to agencies' business objectives; and
- establishing the *2017 Social Services Procurement Capability Baseline Results* to be able to track progress towards growing government procurement capability in the social sector.

Structure of the report

The report is structured around the five key areas: initial engagement, tender activity, contract management, supplier relationships, and the complaints process. Each section summarises how businesses reported their experiences in these areas. Where possible, questions have been compared over all five years. However some questions have been added or altered between years to improve the survey and in response to feedback from respondents. Where changes to questions have been made, it is not always possible to compare over all five years of the survey. Where new questions have been added only the information from the 2018 survey has been presented.

Key Findings 2018

There have been improvements in a number of areas:

- Overall, businesses perception of governments' procurement activity is trending upwards. Since the commencement of this survey there has been a substantial increase in how positively businesses rate the overall quality of government procurement from just 15% in 2015 to 34% in 2018. This year, there was a 10% increase in businesses who positively rated the overall quality of government procurement activity.
- Positive ratings regarding the clarity and sufficiency of tender documentation substantially improved this year. There was also a clear increase in businesses who felt they could effectively bid on government contracts, indicating a possible correlation between improved tender documents and businesses feeling they can bid effectively.
- The results show an increase in the number of contract review meetings offered across government with more respondents saying they were helpful.

There are some interesting findings:

- Smaller businesses participating in the survey seem more reliant on government business than larger businesses, but are less positive about the quality of government procurement and say they have the most trouble bidding effectively on government tenders.
- Over 70% of respondents said they were aware of at least one complaint or dispute process available, showing great improvement from the year before (39% in 2017). A small percentage of respondents believed it would hurt their relationship with the procuring agency and jeopardise any future opportunities if they made a complaint.
- Government in general, across all businesses, is becoming an even more important customer. Over 50% of businesses in Gisborne, Taranaki, and Southland identified that government business is extremely important to them.

There are still areas for improvement:

- There is still substantial room to improve both tender activity and initial market engagement.
- The sufficiency of time given to respond to a tender showed little improvement. While more businesses answered that they often had enough time to respond, fewer businesses answered that they always have enough time.
- All six key competencies of contract managers across government decreased from their 2017 results. The ability of contract managers to communicate clearly showed the biggest decrease.

Definitions and Interpretation of Results

Business size: To understand how business size might affect the results, businesses were asked to indicate how many Full Time Employees (FTEs) they had. These groups are categorised as:

- Micro (0-5 FTEs)
- Small (6-19 FTEs)
- Medium (20-49 FTEs)
- Large (50+ FTEs)

Score: for some questions businesses were asked to rate aspects of government procurement on a five point scale from very poor – very good, or never – always. Scores of 1 or 2 were considered to be negative, a score of 3 was neutral, and scores of 4 or 5 were positive.

Unspecified / blank responses: Questions answered as ‘not applicable’ have been removed from the report. This is because in previous years, ‘not applicable’ has not been an option. In order to accurately compare between years this response has been omitted throughout the survey.

Limitations

Questions that asked businesses to rate aspects of procurement from very poor – very good are difficult to compare with similar questions from previous years due to the use of a different scale (poor, fair, average, good, excellent) that was used previously.

While some tentative comparisons have been made comparing negative scores (1 and 2) and positive scores (4 and 5) it is with the caveat that direct comparisons cannot be made.

The decision to change to a more commonly understood scale was made to give more accurate results that can be more effectively compared in the future.

In some questions pertaining to the regional location of the business, there were less than 20 responses to a particular chosen option. Where this has occurred, the location name has an asterisk next to it.

For these reasons, the results should be considered as indicative.

Methodology

There were four substantial changes made to the survey in 2018.

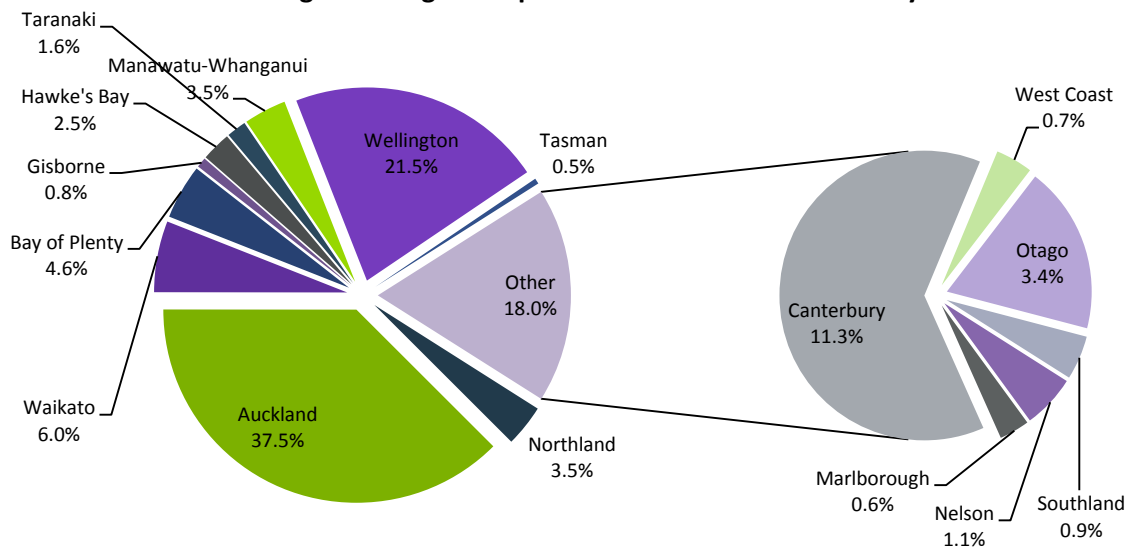
1. A greater focus was placed on the regional location of businesses. An extra question was added in order to capture this, as well as two amendments to questions that allowed respondents to identify whether their regional location affected their bid effectiveness.
2. The question regarding supplier debriefs was divided into two questions this year, with one question asking about frequency, and the other regarding the helpfulness of debriefs.
3. The previous supplier complaints question was expanded into three distinct questions this year, in order to understand what specific complaints processes businesses know about, and why they are/are not being utilised.
4. On a number of questions pertaining to tender documents, contract opportunities, the tender process, and follow-ups, the rating scales have been changed. This was to provide consistency in the scaling across questions.

1. Business Profile

Where businesses are based

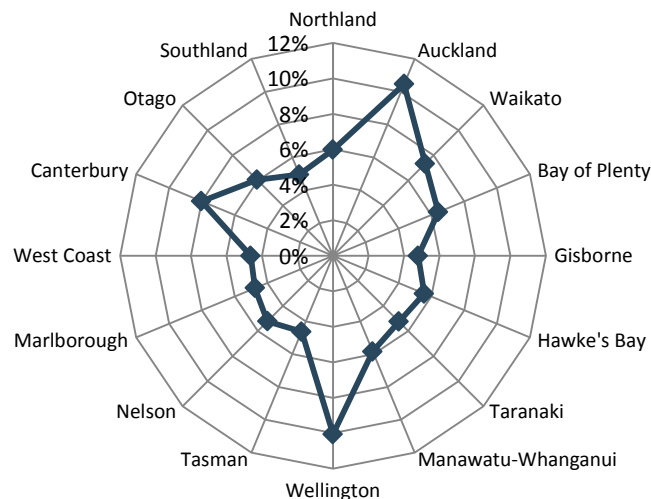
Almost all of the businesses that responded to the survey in 2018 were based in New Zealand (89%). Australia-based businesses made up 6% of the respondents, followed by North America with 3%, Europe with 2% and Asia with 1%. The regions where New Zealand businesses are based were also surveyed (Figure 1). As could be expected, Auckland (37.5%), Wellington (21.5%) and Canterbury (11.3%) were identified as the regions where most of the New Zealand businesses are based.

Figure 1. Regions represented in the Business Survey



In 2018, a new question was introduced to identify where in New Zealand businesses are supplying to government. This question allowed respondents to select as many regions as applicable (Figure 2). Similar to the question above, Auckland and Wellington were shown to be the most popular regions where businesses are supplying to government. This is likely due to the sheer population of the Auckland region, and many central government agencies being based in Wellington.

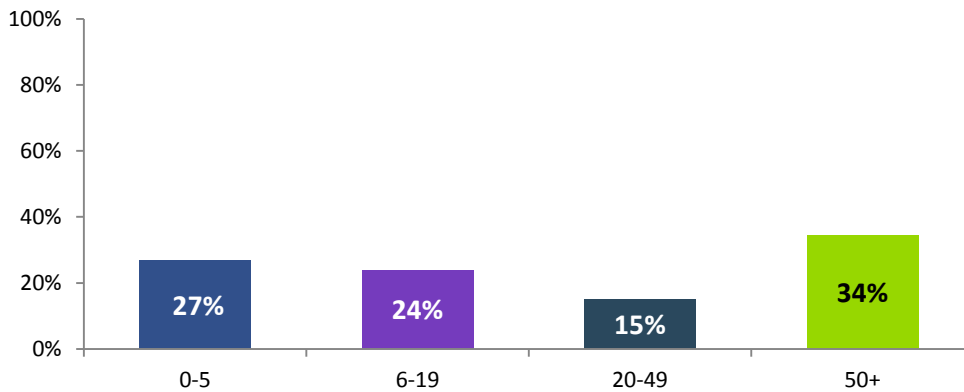
Figure 2. Regions where businesses supply to government



Business size

Businesses with 50 or more full time employees were the single biggest group of responders to the survey in 2018 (34%). The number of small-to-medium enterprises – businesses with less than 20 full time employees – who completed the survey was also substantial, totalling approximately 51% (Figure 3).

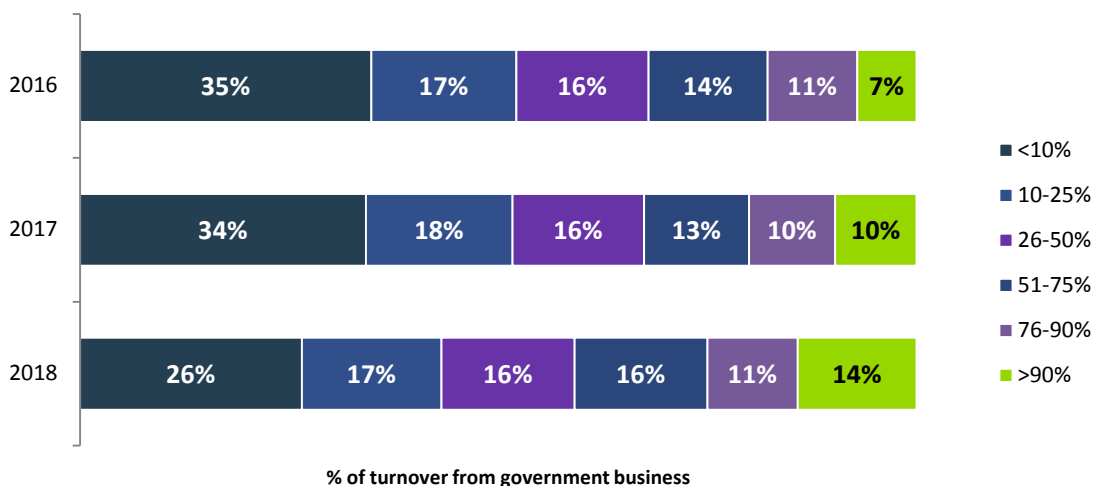
Figure 3. Business size, 2018



Annual turnover

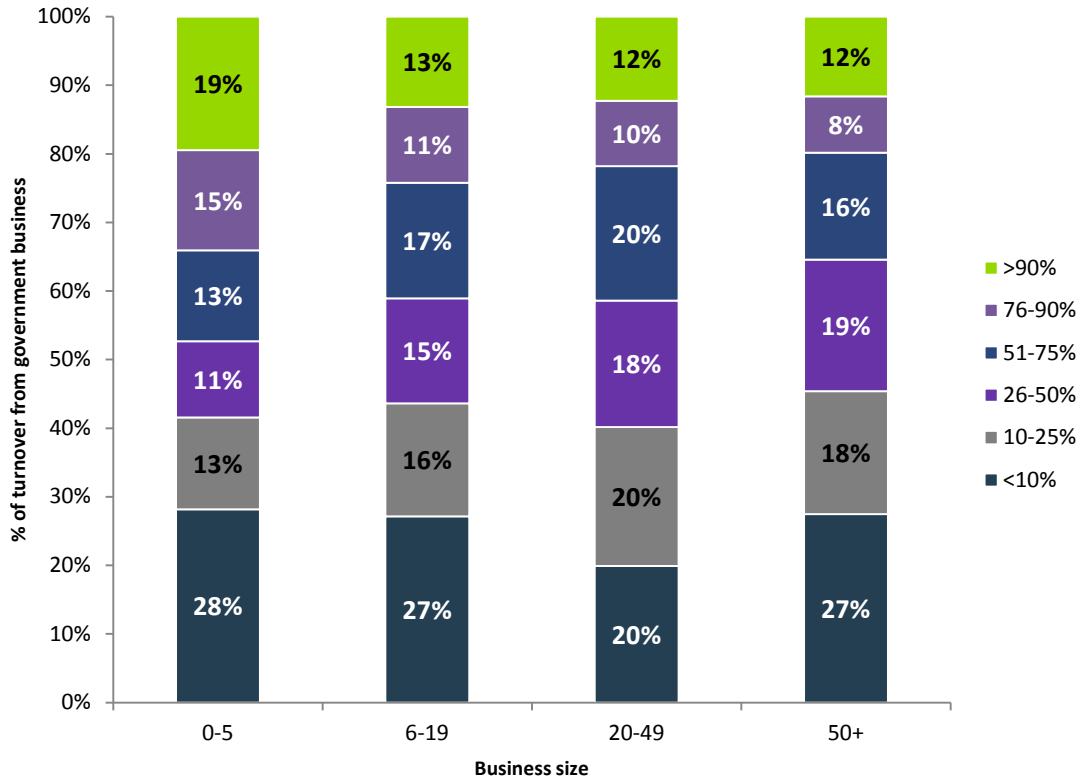
Respondents were asked how much of their annual turnover comes from supplying government. Figure 4 identifies that in 2018, an increasing amount of businesses' annual turnover came from government business, with 14% of respondents answering that government business makes up over 90% of their annual turnover – an increase of 4% from 2017.

Figure 4. Annual turnover from supplying government agencies



The size of the business contributes to the proportion of annual turnover coming from supplying government agencies. Figure 5 shows that 19% of small businesses answered that government business makes up over 90% of their annual turnover compared with just 12% of large business. This begins to paint the narrative that smaller businesses consider themselves to be more dependent on the government than larger businesses.

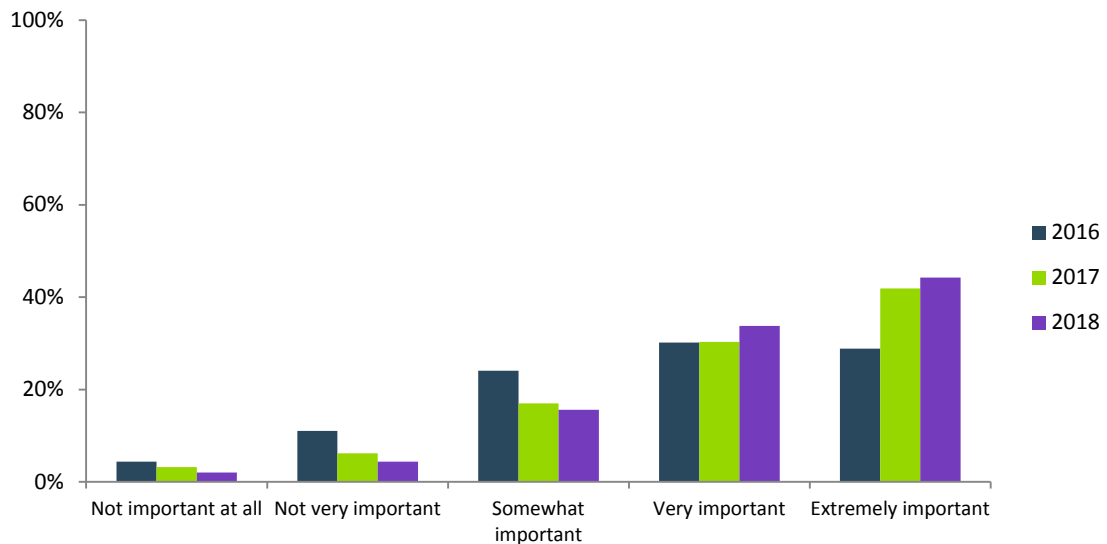
Figure 5. Annual turnover from supplying government agencies, cross-cut by business size



Government as a customer

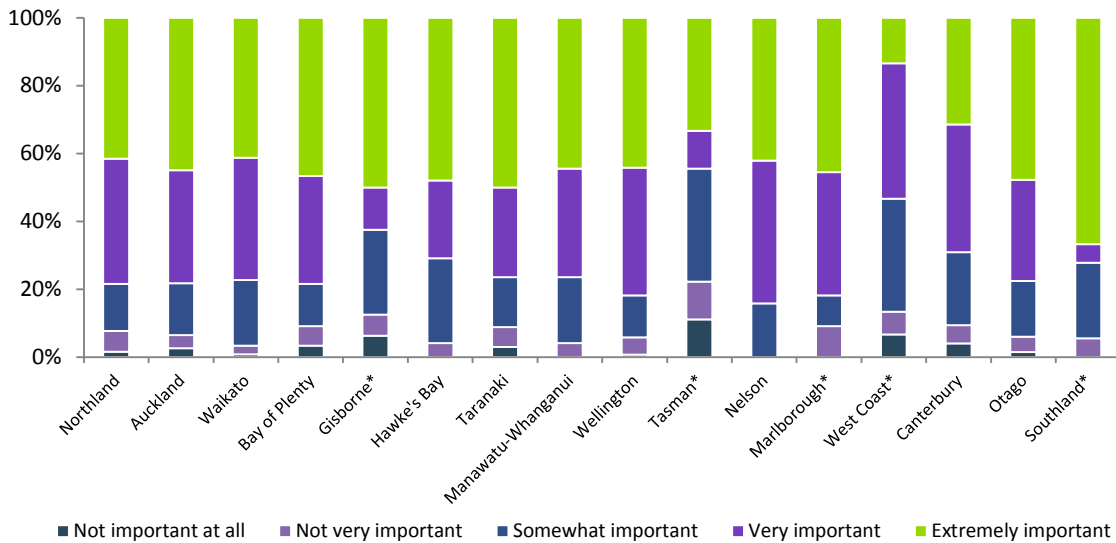
In 2018, respondents identified that government is increasingly becoming more important to their businesses. Figure 6 shows that 44% of businesses said government business is extremely important to their organisation, showing increase of approximately 2% from 2017, and 15% from 2016. The results suggest a potential link between the importance of government as a customer, and the annual turnover that comes from supplying government, as both figures have shown increases in 2018 (Figure 5 and Figure 6).

Figure 6. The importance of government as a customer to businesses



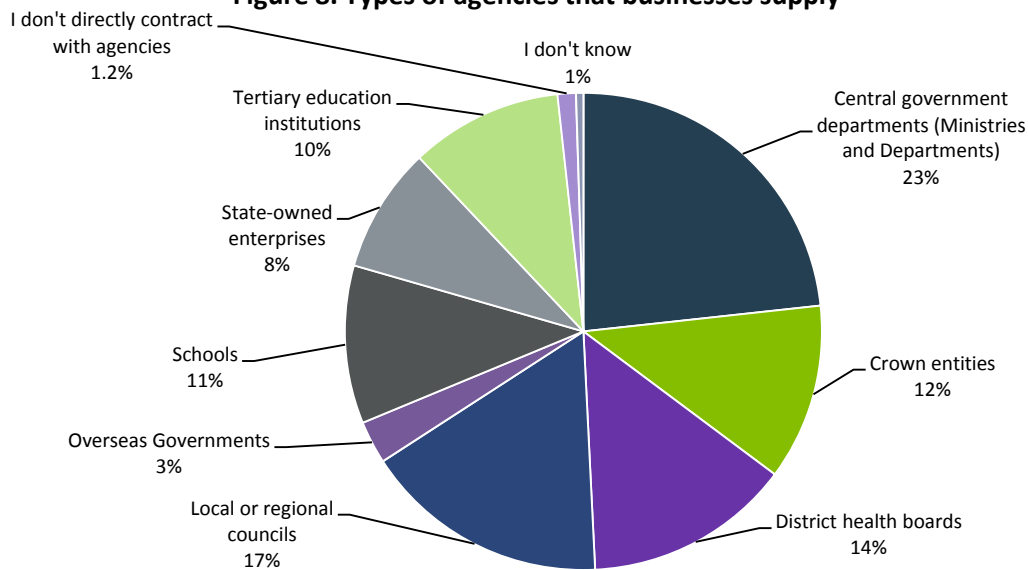
The location of the business also appears to have an impact on the importance of government as a customer. Figure 7 identifies that over 50% of the respondents from the regions of Gisborne, Taranaki, and Southland answered that government is extremely important to their businesses. Interestingly, in Canterbury and Tasman, less than 35% of businesses stated that government business was extremely important to their organisations. On the far end of the scale, only 13% of businesses from the West Coast said that government is extremely important as a customer.¹

Figure 7. How important government is as a customer to business, cross cut by location (2018)



Businesses were also asked about the types of agencies they supply. Respondents could select as many options as applicable. Central government departments were identified as the primary agency supplied to by businesses (23%) followed closely by local or regional councils (17%) and district health boards (14%).

Figure 8. Types of agencies that businesses supply



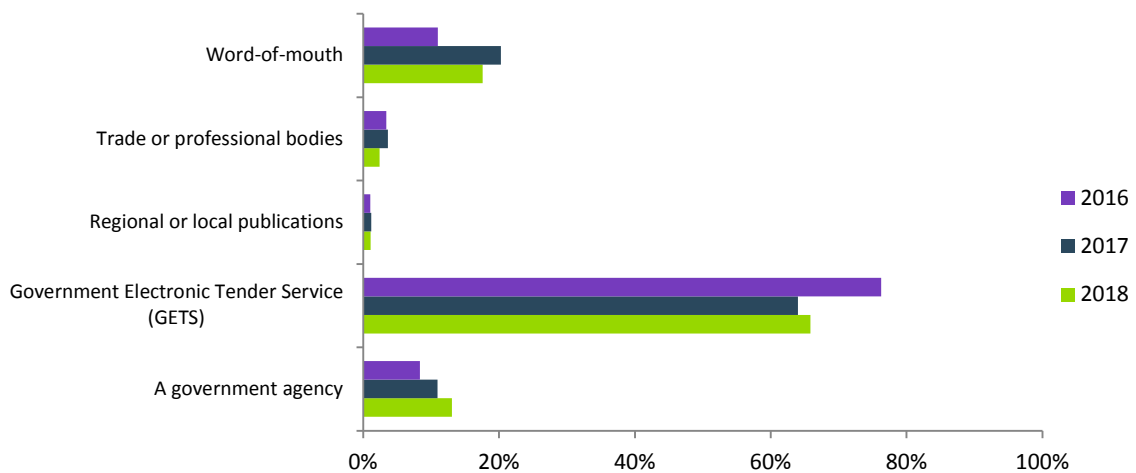
¹ For Gisborne, Tasman and the West Coast, there were less than 20 responses in this dataset

2. Initial Engagement with Government

Hearing about opportunities to participate in government contracts

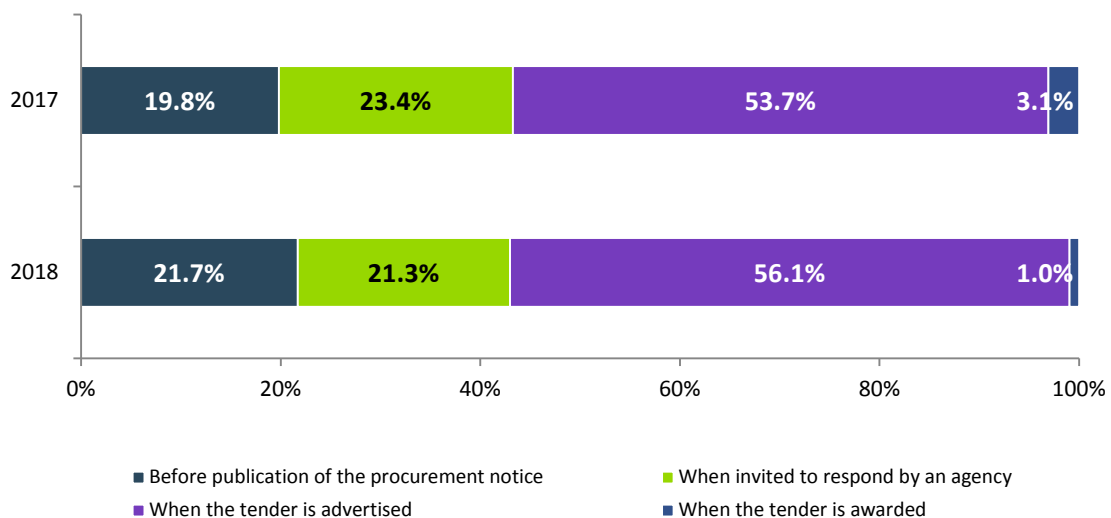
Businesses were asked what their main source of information was in regards to government contracts. Figure 9 shows that there was minimal change in results from 2017 to 2018, with 66% of respondents answering that their main information source was the Government Electronic Tenders Service (up from 64% in 2017).

Figure 9. Main source of information on government contracts



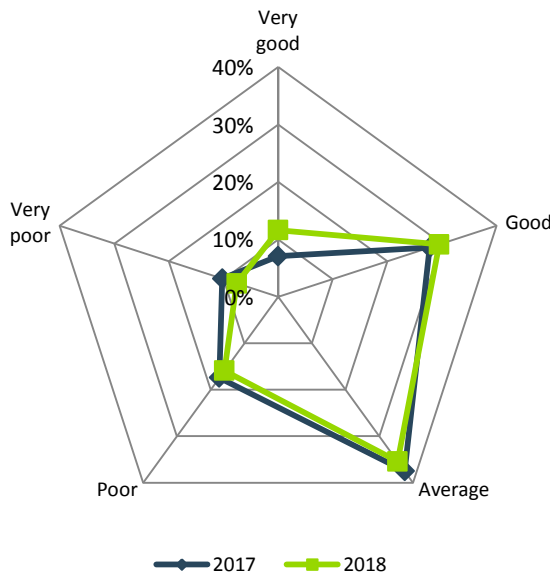
While the source of businesses' information on contracts has remained relatively stationary from 2017 to 2018, there has been a slight change in when businesses hear about contract opportunities (Figure 10). There was a 2.5% increase in 2018 of those who most frequently heard about contract opportunities when the tender is advertised. This correlates with the decrease in businesses who stated that they commonly only hear about contract opportunities after the tender has been awarded (1.0% in 2018, down from 3.1% in 2017).

Figure 10. When businesses hear about contract opportunities



Initial engagement

Figure 11. How businesses rate governments initial engagement



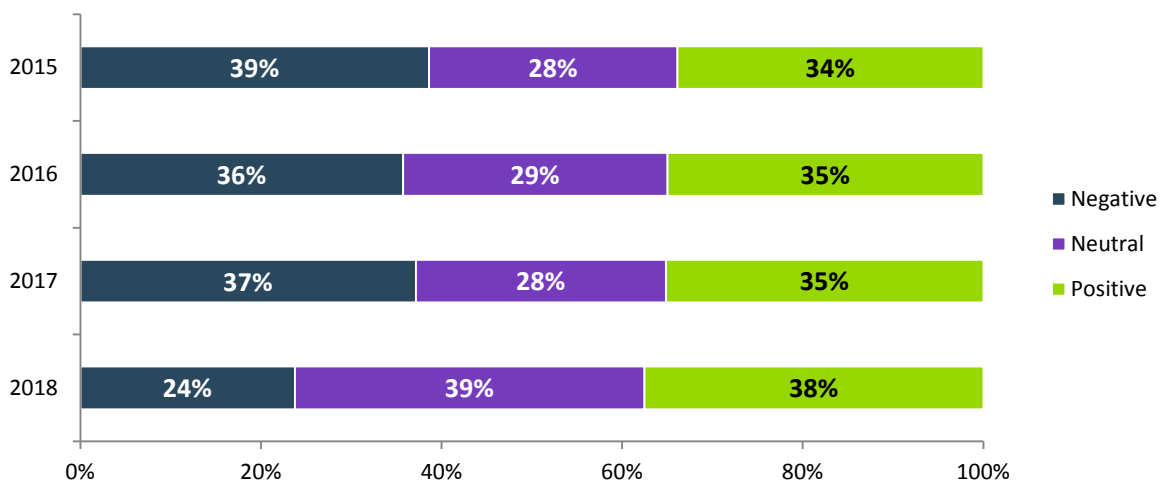
Following the introduction of a new question in 2017, businesses were asked to rate government’s initial engagement ability on a scale from ‘very poor’ to ‘very good’. There was a 5% increase in 2018 in the amount of businesses who rated government’s initial engagement to be ‘very good’ (Figure 11).

In general, respondents’ opinions of government’s ability to engage early were mixed. While there was an increase in those who rated government positively, the most common rating on this question was “average” with 34% of businesses choosing this option.

Officials’ openness to discuss contract opportunities

The survey asked businesses to rate how openly government officials discussed their requirements with businesses when they asked for more information about a contract opportunity, on a scale from ‘never’ to ‘always’. As the scale for this question has changed from 2015, answers have been grouped into three groups, negative, positive and neutral.² Figure 12 shows that in 2018, 38% of businesses rated governments’ openness to discussing contract opportunities highly, up 3% from 2017. On the other side of the scale, 24% of respondents in 2018 rated officials negatively, showing a 13% decrease from the 2017 results.

Figure 12. How openly officials discussed contract opportunities



² 2015 scale: 1 not openly – 5 very openly, 2016 & 2017 scale: 1 not openly at all – very openly, 2018 scale: never – always.

3. Tender Activity

Time to respond to a tender

Businesses were asked a question on the sufficiency of time they were given to respond to a tender during the procurement process. While the rating scale for this question changed between 2017 and 2018 (see Figure 13 and 14 below), comparisons are still able to be made between the two years. In 2017, 17% of respondents answered that they had ‘plenty of time’ to respond to a tender, compared with 14% who answered in 2018 that they ‘always’ had time to respond. While this category showed a decrease, there was an increase of 8% in 2018 of those who answered that they ‘often’ have enough time to respond to a procurement (compared with ‘4’ in 2017). Overall, it is difficult to discern whether there has been any significant improvement in the sufficiency of time tenders are on the market for, due to the change in the scale.

Figure 13. Do you have enough time to respond during the procurement process (2017)

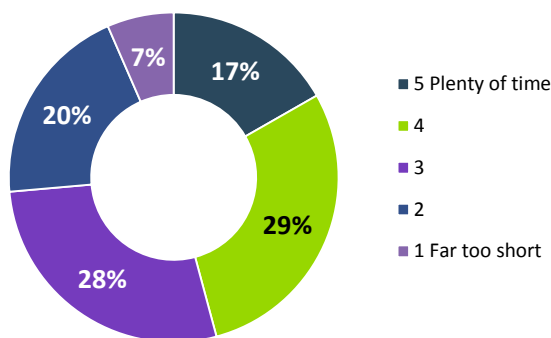
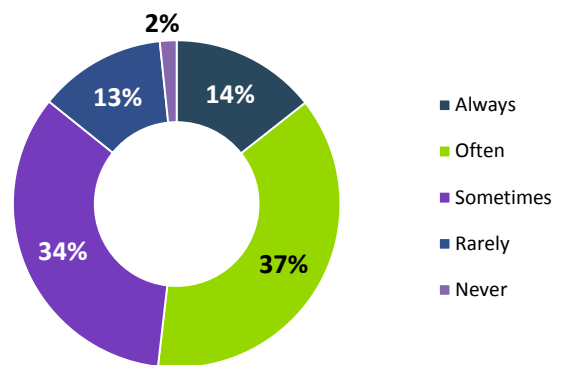


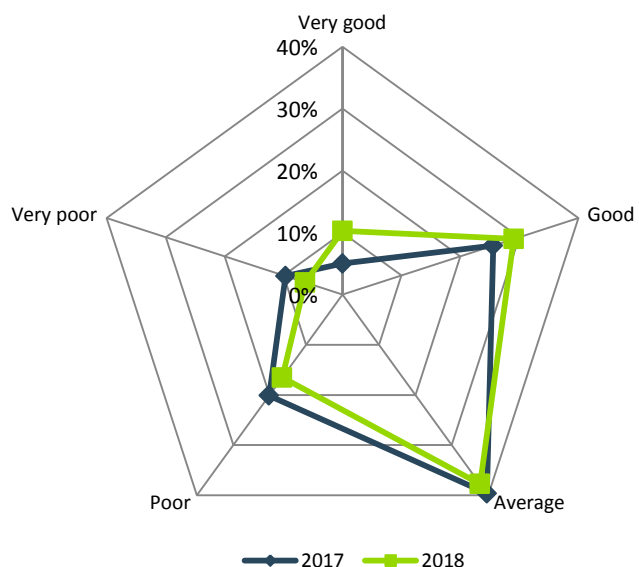
Figure 14. Do you have enough time to respond during the procurement process (2018)



A question was also asked regarding how businesses rated the overall quality of government’s tender activity. There was a definite improvement in this area in 2018, with a 5% increase of those who rated governments’ tender activity to be ‘very good’.

This corresponds with a 4% decrease of those who answered that they found governments’ tender activity to be ‘very poor’ (Figure 15).

Figure 15. How businesses rate the quality of tender activity



Tender documentation

There has been a substantial improvement in the quality of tender documents between 2018 and the previous years (Figure 16 and 17). In 2018, 59% of businesses rated the sufficiency of tender documents positively, showing an increase of 10% from the year before. Similarly, 48% of businesses rated the clarity of tender documents positively, compared to 40% in 2017.

Figure 16. Sufficiency of tender documents

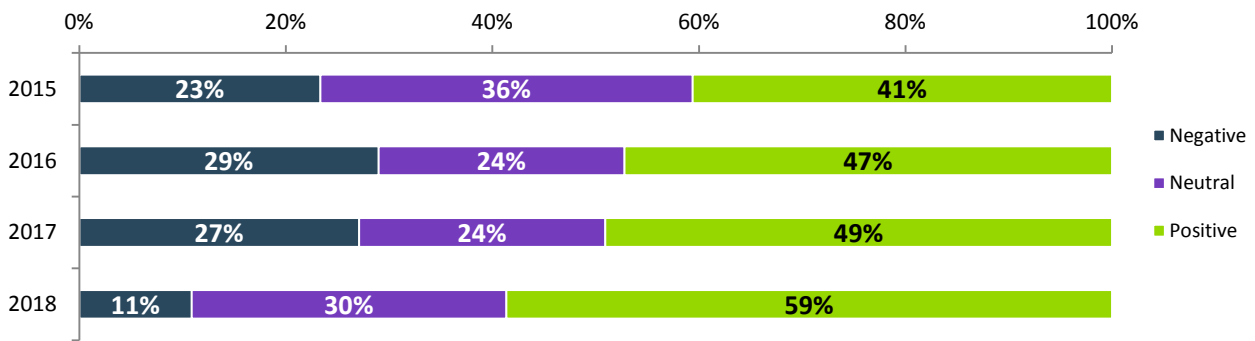
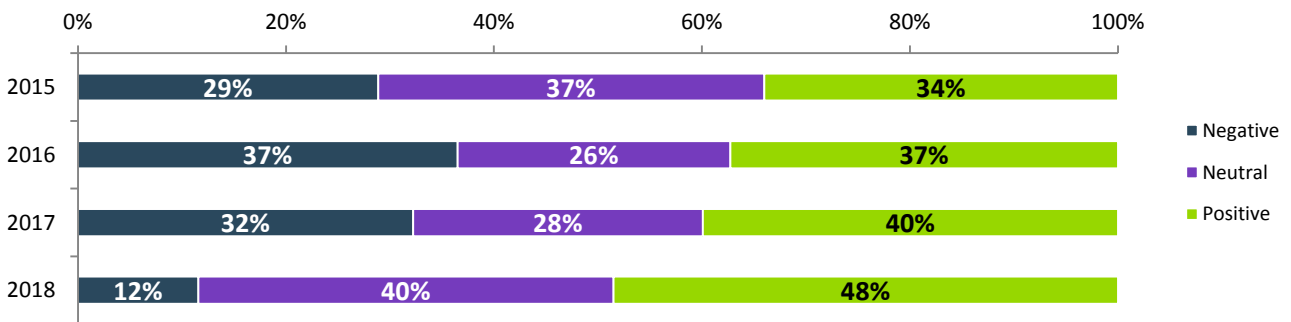


Figure 17. Clarity of tender documents

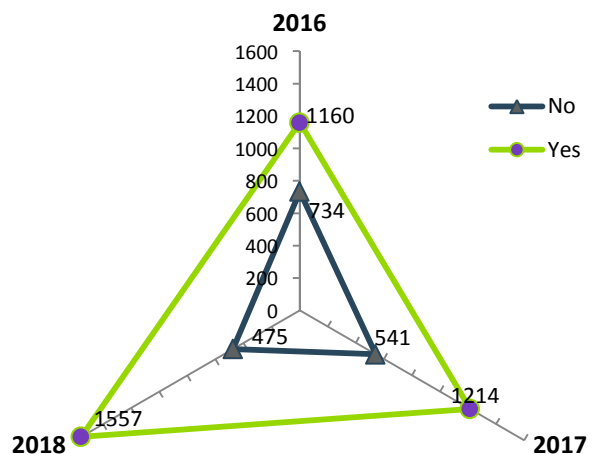


Factors relevant to success in tendering

In 2018, businesses reported that their bid effectiveness had increased from both 2017 and 2016. In 2018, 1,557 businesses said they could effectively bid for government contracts, compared to 1,214 in 2017 and 1,106 in 2016. This represents a 9% increase between 2017 and 2018, and a 16% increase between 2016 and 2018.

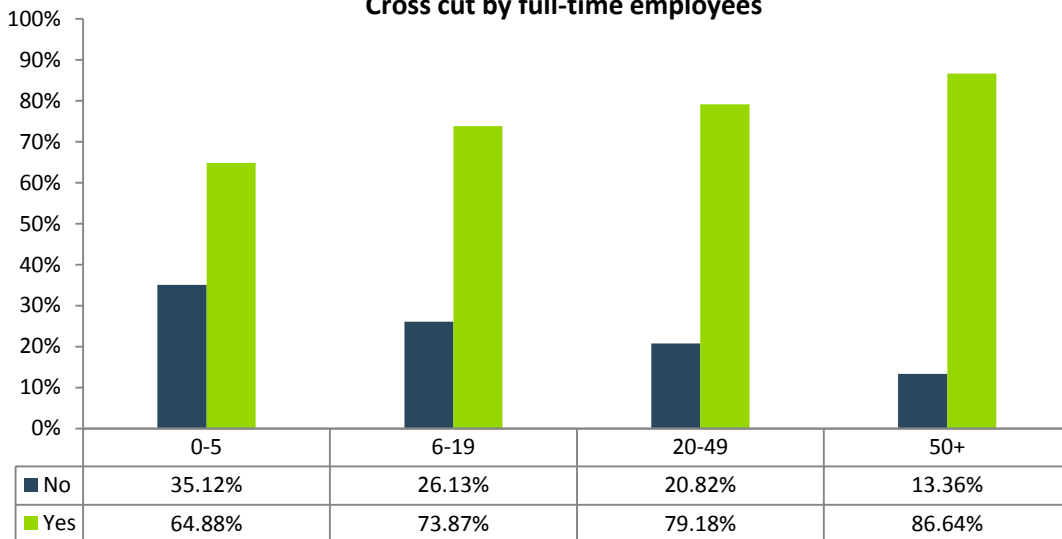
In order to better understand what specific sectors of New Zealand felt they could effectively bid for government contracts; the results have been split further into business size and location.

Figure 18. Do you feel you can effectively bid for government contracts?



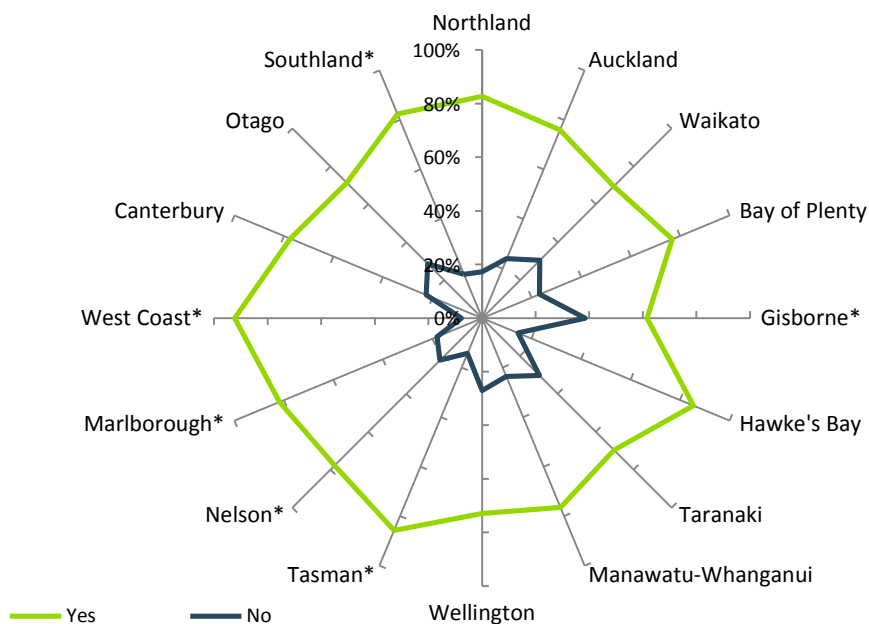
Cross-cutting this question by the size of the business shows disparate results. Around 65% of businesses with zero to five employees reported they could effectively bid for government contracts, compared to 87% of businesses with 50 or more full-time employees (Figure 19). This is consistent with what we have heard anecdotally from smaller businesses in New Zealand, who feel they have a hard time competing with larger businesses for government contracts.

**Figure 19. Do you feel you can effectively bid for government contracts?
Cross cut by full-time employees**



In terms of the location of the business, those located in Gisborne, Taranaki, and the Waikato rated their ability to effectively bid on government contracts the lowest, whereas those located in Tasman, Hawke's Bay, and the West Coast rated their ability the highest (Figure 20).

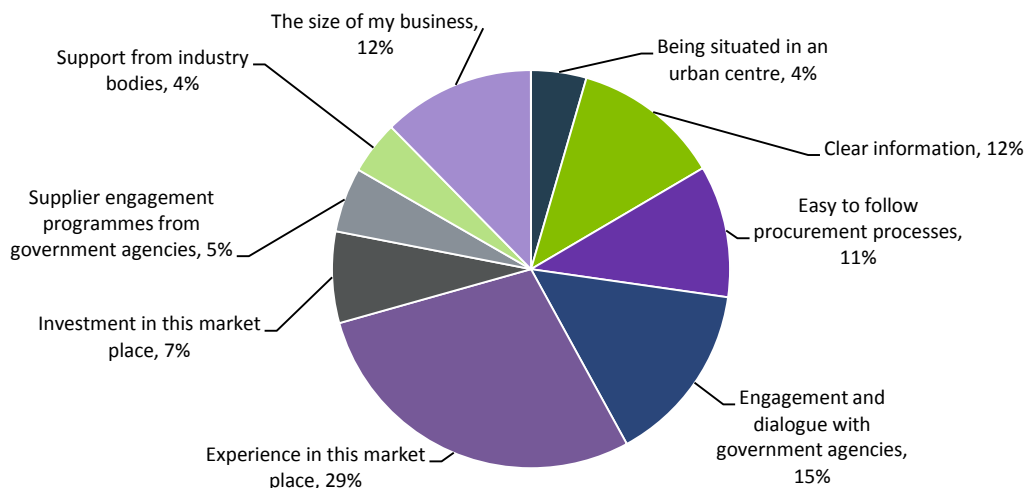
Figure 20. Do you feel you can effectively bid on government contracts? Cross cut by location



20).³

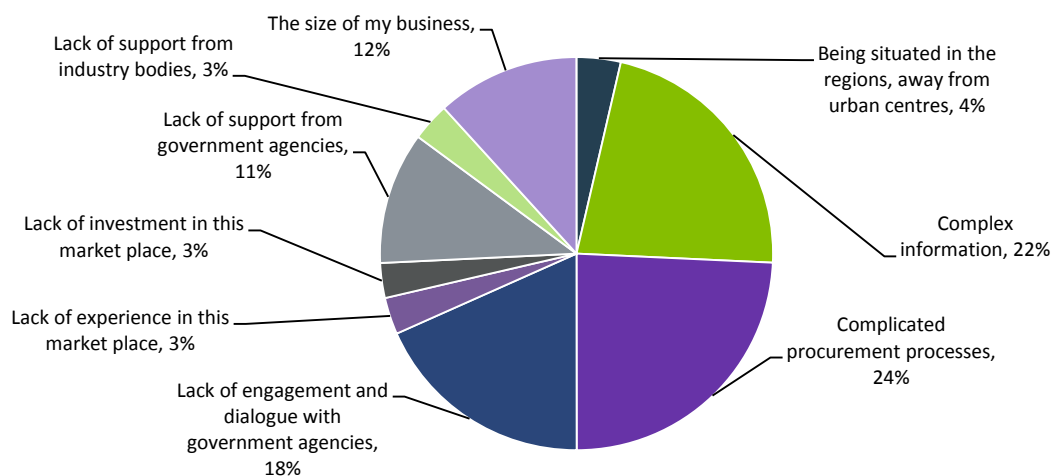
Following on from this question regarding businesses' views on their bid effectiveness, businesses were asked what factors increased and decreased their success in bidding for tenders. Over a quarter (29%) of respondents said that their experience in the marketplace was a factor that increased their bid effectiveness (Figure 21).

Figure 21. Factors that increased businesses' bid effectiveness



As shown in Figure 22, complicated procurement processes were identified as being the biggest factor that decreases businesses' bid effectiveness, with nearly a quarter of respondents choosing this option (24%). Complex information about government contracts was the second biggest option chosen (18%), which indicates that businesses feel there are disparities between agencies in regards to the complexity of government contracts, as clear information given on government contracts was also identified as a *success* factor that increased bid effectiveness (12% respectively).

Figure 22. Factors that decreased businesses' bid effectiveness



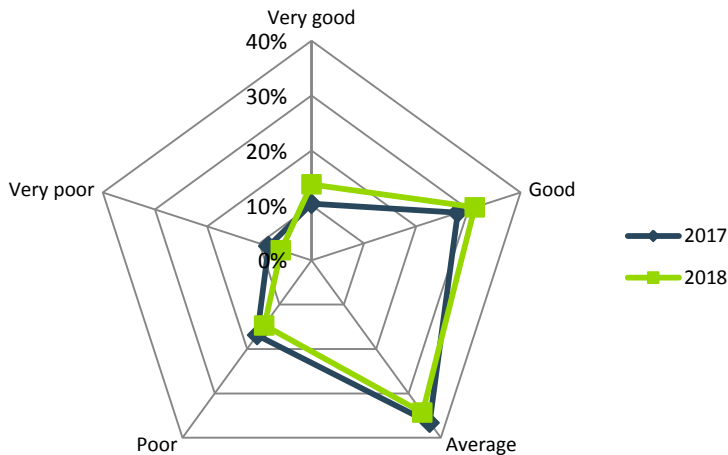
This year, an extra option was added to both questions in an attempt to gauge whether the location of the business was impacting businesses ability to bid effectively for government contracts. Approximately 4% of respondents said that being situated *in* an urban centre

³ For Tasman and the West Coast, there were less than 20 responses in this dataset

increased their bid effectiveness, while another 4% answered that being situated *away* from an urban centre decreased their bid effectiveness. This suggests that a businesses' ability to bid for government contracts is not necessarily influenced by their location.

4. Contract Management

Figure 23. How businesses rate the quality of governments contract management



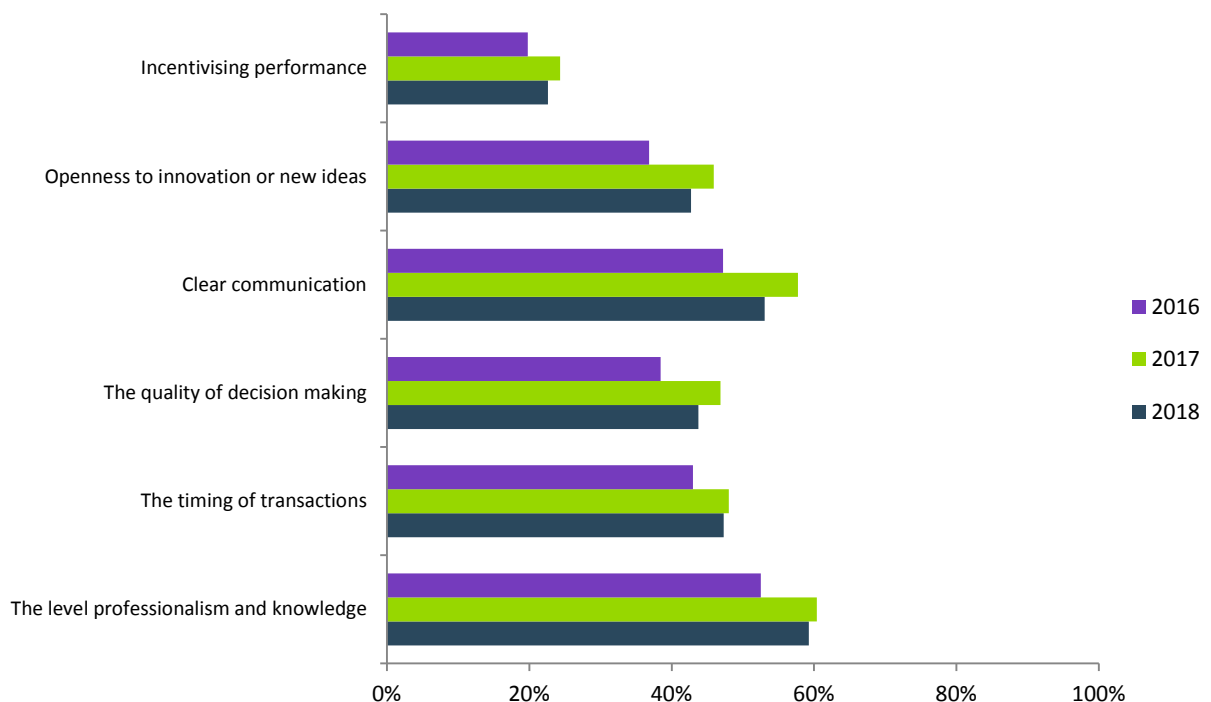
Businesses were asked to rate the overall quality of contract management across government. There was improvement in this area from 2017, with a 4% increase in those who thought that contract management was 'very good' across government (Figure 23).

However, overall this is still an area that requires improvement; with just over a third (34%) of respondents answering they found the overall quality of governments' contract management to be average.

Competencies of contract managers

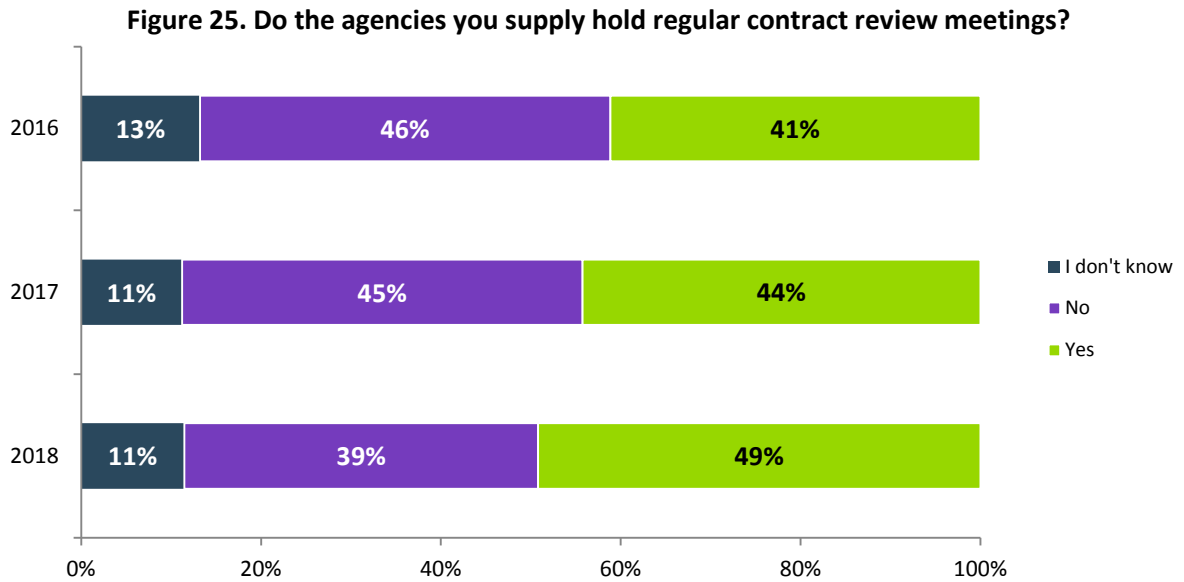
Respondents were asked to rate their contract manager's performance across a series of six key competencies. Over half positively rated their contract manager's clear communication and level of professionalism and knowledge. However the competencies were rated less positively when compared to last year's results.

Figure 24. Percentage of businesses that rated competencies of their contract managers positively, 2016-2018



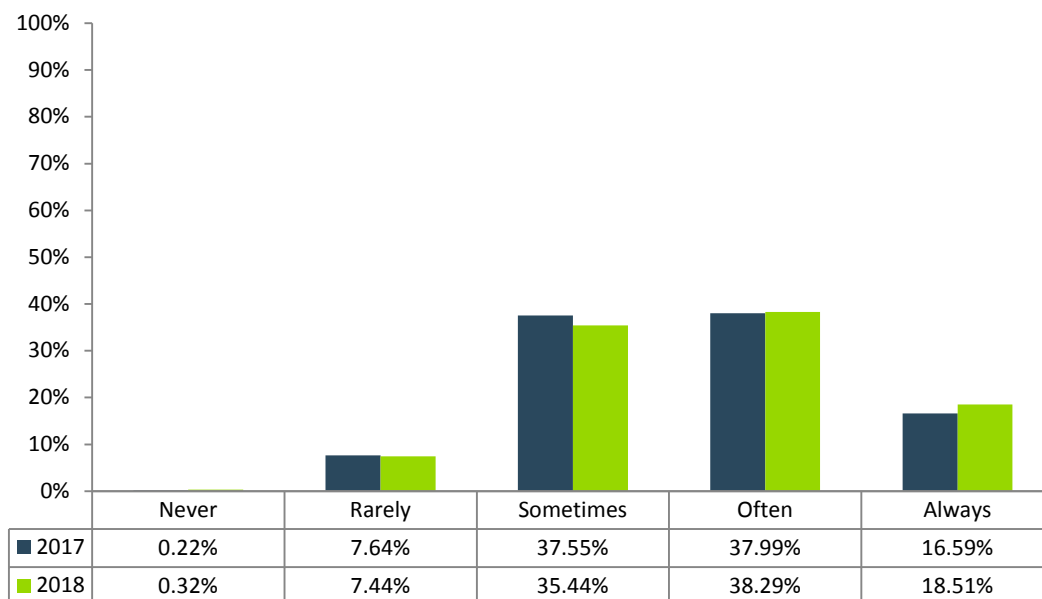
Contract review meetings

Figure 25 shows that in 2018, there was a 5% increase in businesses reporting they had a regular contract review meeting with the agencies they supplied. However, over a third (39%) of businesses answered that the agencies they supply do not hold regular contract review meetings.



When asked how often businesses found these contract review meetings to be helpful, nearly all respondents (92%) said that these meetings were 'sometimes', 'often' or 'always' useful. This indicates that despite 39% of businesses saying that their agencies did not hold regular contract review meetings; businesses reported that they receive some value from them when they are held. Figure 26 demonstrates this, where interestingly only two respondents to the 2018 survey answered that they have 'never' found contract review meetings to be helpful.

Figure 26. Are these contract review meetings helpful?



5. Supplier Relationships

Debriefing suppliers

This year, businesses were asked two new questions regarding how frequently they had a follow-up after bidding for a tender and how helpful it was. In the previous surveys, these two questions had been asked as one all-encompassing question, making it difficult to compare these years' results to the previous years.

Approximately 34% of businesses said they were 'never' or 'rarely' offered a follow-up from agencies after they bid for a tender, with only 10% answering they were 'always' offered a follow-up or debrief. However, businesses indicated that when they were offered a follow-up, 41% found them to be 'often' or 'always' helpful. Only 7% of businesses said that these follow-ups were never helpful.

Figure 27. Frequency of a follow-up being offered

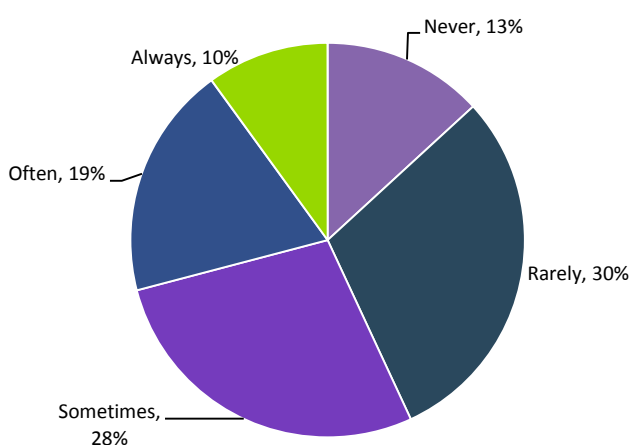
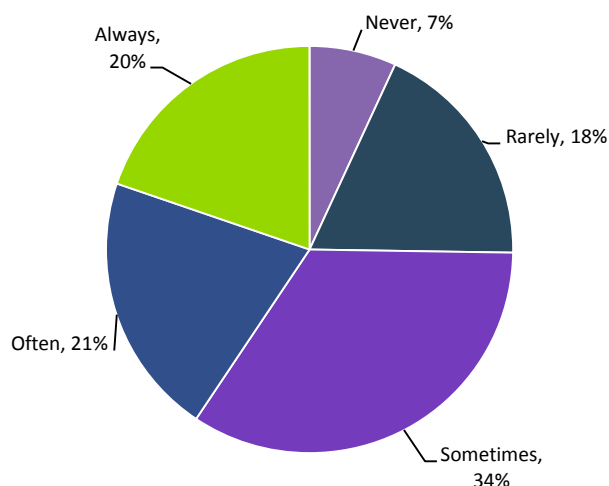


Figure 28. Was this follow-up helpful?

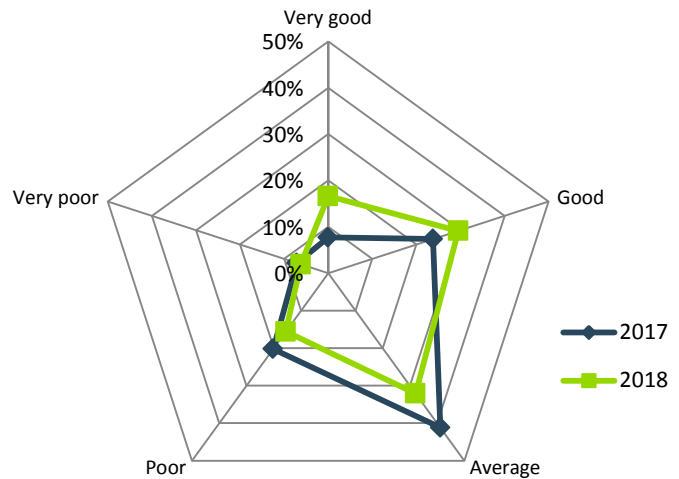


Overall quality of supplier relationships

Businesses rated the overall quality of governments' supplier relationships significantly higher than in 2017 (Figure 29). This year, 18% of respondents said that they found their relationships with their agencies to be 'very good', showing a 9% increase from the 2017 results.

This corresponds with the decrease in businesses who said that they found their relationships with agencies to be either 'very poor' or 'poor', both which decreased in 2018 by 4% and 1% respectively.

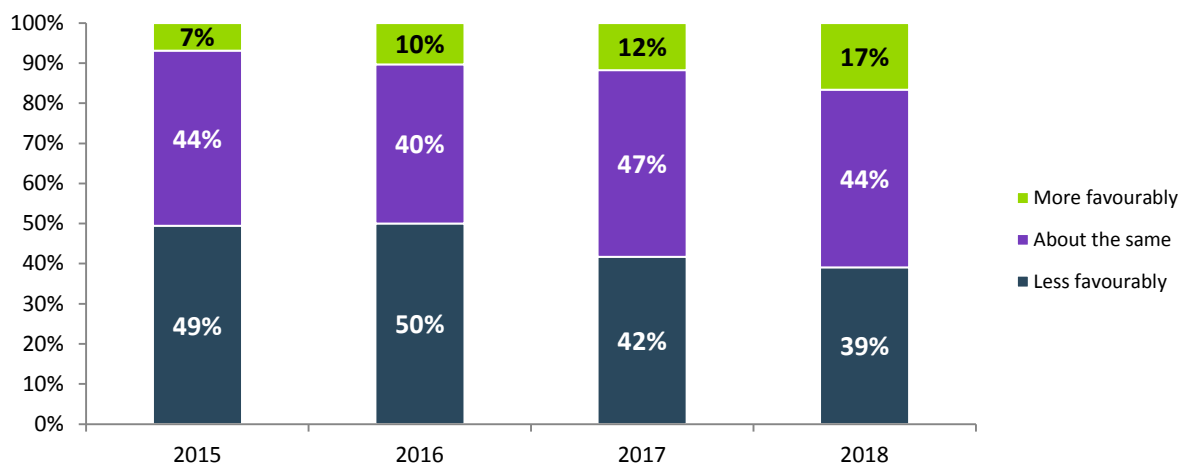
Figure 29. How businesses rate governments supplier relationships



Comparing government to other customers

Businesses were asked how doing business with a New Zealand government agency compared with doing business with their other customers. The results in Figure 30 show that businesses rate government relatively well when comparing with the private sector, with 61% of respondents answering that doing business with government is either more favourable or about the same as doing business with their other customers. This is a 2% increase from 2017.

Figure 30. Comparing government with other customers



Recommending government as a customer

The survey also asked whether respondents would recommend government as a customer to other businesses. This question was open-ended, so respondents could provide reasoning for their answers.

42% of businesses said they would recommend government as a customer:

"Reliable workflow and payers."

"Exciting large scale projects with the potential for significant social impact."

"Is a major consumer of services and significant market segment, overall a critical partner to work with."

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50% of businesses said they would recommend government as a customer 'in some circumstances':

"One size doesn't fit all when it comes to procurement. Focus on the costs and not on the value."

"Lack of feedback on unsuccessful tenders creates an air of uncertainty as to its motive for going to tender."

"It can be difficult, especially when there is a large amount of consultation within the agency which is difficult to charge for - invariably the work takes more hours than you have costed for."

8% of businesses said they would not recommend government as a customer:

"Cumbersome to deal with, sometimes with unrealistic expectations"

"Government is a difficult client with slow approval and decision making processes that can make our design procurement costly and inefficient."

"Because they are rigid, too complicated, too many unnecessary layers of decision making."

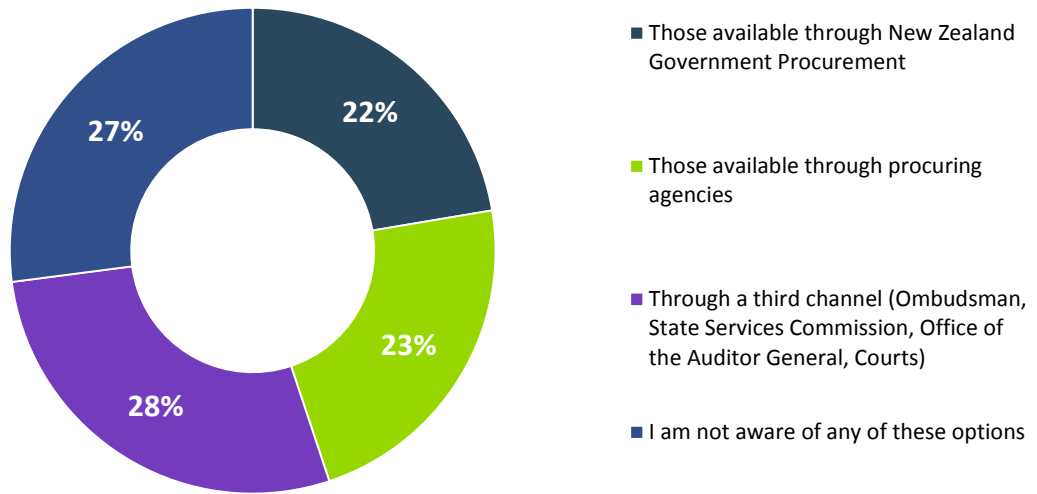
6. The Complaints Process

A new set of questions were asked in the 2018 survey, about businesses' exposure and knowledge of the procurement complaints process. In the previous surveys, there was a single question asked about the complaints process, which identified that many businesses were unaware of the different avenues available to them to lay a complaint.

For example, in 2017, 61% of respondents answered that they were not aware of any of the processes available to complain about a procurement issue. In an attempt to gain further understanding about this lack of knowledge, the questions on the complaints process this year were split into three categories; awareness, action taken, and reasoning behind no action taken.

Businesses were first asked about their awareness of specific complaints processes available. By specifically listing the three different avenues that are available to lay a complaint, it was established that only 27% of businesses were not aware of any of the options, showing a substantial decrease from the aforementioned 61% of respondents in 2017 who said they had no knowledge of these avenues. Respondents were most familiar with the complaints process of complaining through a third channel – such as through the Ombudsman, State Services Commission, the Office of the Auditor General, or through the courts system, with 27% of respondents choosing this option. This was closely followed by processes available through procuring agencies (23%) and those available through New Zealand Government Procurement (22%).

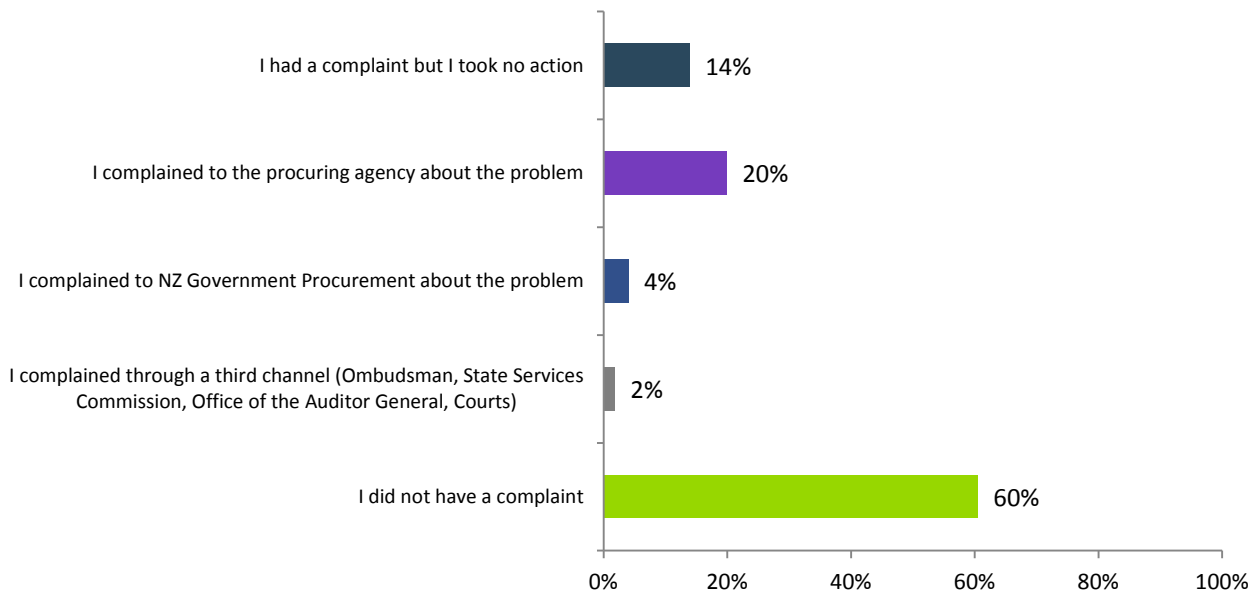
Figure 31. Awareness of complaints/dispute processes



Next, businesses were asked about the action they took when they did have a complaint (Figure 32, next page). Approximately 60% of respondents said that they did not have a complaint, therefore did not utilise any of the avenues available. Of the remaining 40%, half of these respondents said that they complained through the procuring agency about the problem (20%). Around 4% of businesses said that they complained to NZGP, and 2% said they complained through a third channel.

The remaining 14% (255 businesses) answered that they had a complaint, but they took no

Figure 32. Action that businesses took when they had a complaint

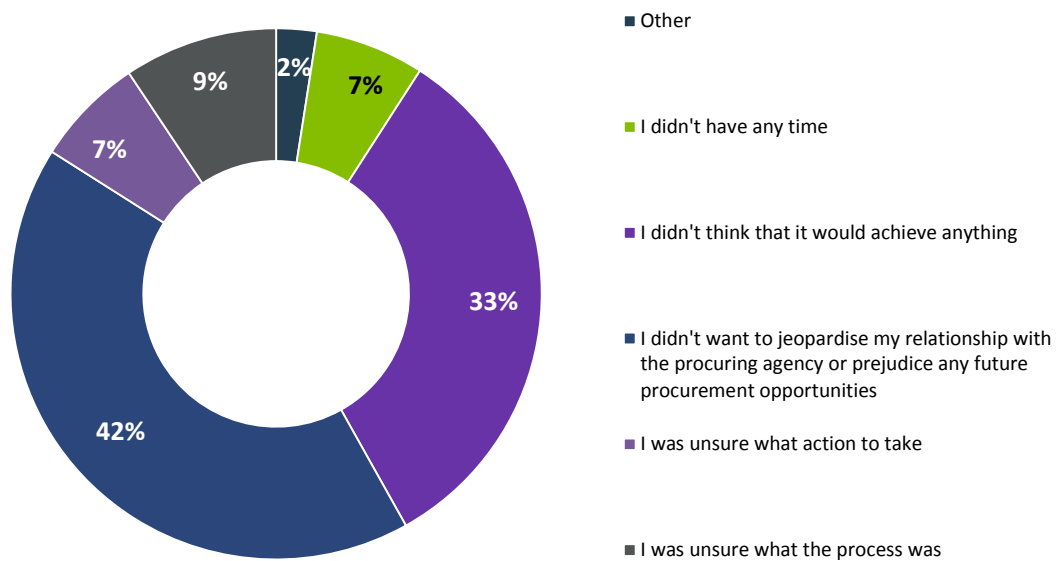


action.

The 14% of businesses that answered that they ‘had a complaint but took no action’ in the previous question were asked why they took no action (Figure 33). Approximately 42% of

respondents said that the reason they didn't lay a complaint was because they didn't want to jeopardise their relationship with their procuring agency and prejudice any further procurement opportunities. This was closely followed by approximately 33% of businesses that answered that they didn't think complaining would achieve anything. These results suggest that it's not respondent's lack of knowledge about the complaints process prohibiting them from taking action, rather it's their perception that any action taken would be futile and would instead lead to negative outcomes.

Figure 33. Why businesses didn't take any action when they had a complaint



7. Overall Quality of Procurement

Overall, government procurement activity in New Zealand is tracking well. Figure 34 shows the overall rating that businesses gave government's procurement activity in 2018. Most businesses rated government neutrally, with 41% of respondents answering that they found government procurement activity to be 'average'. More businesses rated government positively than negatively, with 34% of respondents they found government procurement to be 'good' or 'very good', compared with 25% stating that they found it to be 'very poor' or 'poor'.

Figure 34. Overall quality of government procurement activity, 2018

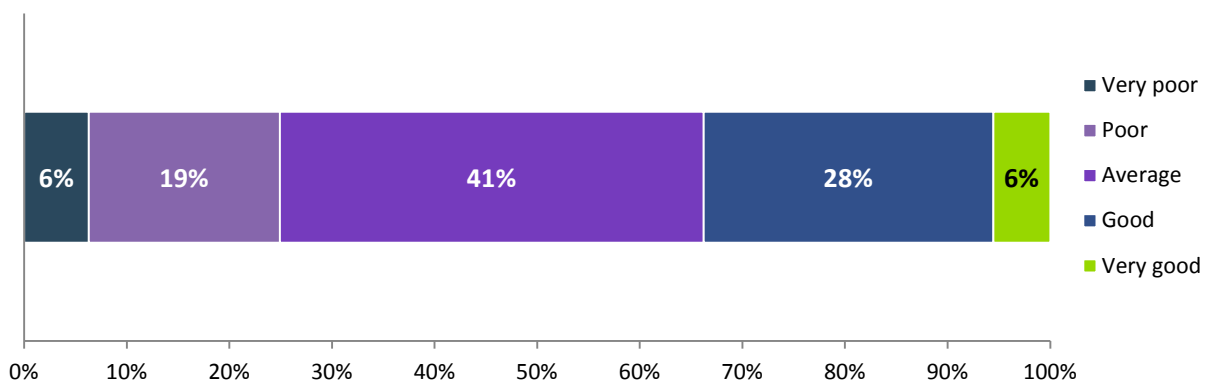


Figure 35 compares the overall quality of government procurement activity across four years. There has been significant improvement in the way businesses perceive government procurement since 2015 – the percentage of businesses rating it positively has more than doubled. Comparing the 2018 and 2017 results, there has been a 10% increase in businesses that rated government positively, corresponding to a 5% decrease of those who rated government negatively.

Figure 35. Overall quality of government procurement activity, 2015-2018

