



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI



New Zealand Government Procurement Business Survey 2021

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New Zealand Government

New Zealand Government Procurement

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Introduction

New Zealand Government Procurement

New Zealand Government Procurement (NZGP), a branch within the Ministry of Business, Innovation and Employment (MBIE), 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.

The research

The purpose of this research is to describe the experience and impact of participating in government procurement on businesses.

An invitation to participate in the survey was sent to everyone who has 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, NZGP newsletters and MBIE social media pages.

The research was conducted over three weeks from 29 April – 10 May 2021. The survey received 1,717 responses. This compares to 2,095 responses in 2019, and 2,534 responses in 2018. Due to COVID-19 disruptions to businesses, we did not conduct a survey in 2020.

Structure of the report

The report is structured around six key areas: business profile, initial engagement, tender activity, contract management, supplier relationships and the complaints process. Each section summarises how businesses reported their experiences in these areas.

Key findings 2021

The overall trend

- Overall, the 2021 survey results are similar to the 2019 results, though they tend to fall short of many of the 2018 milestone achievements. This has been a downward trend since 2018 and is something that will be monitored going forward.
- However, one improvement is the increase of suppliers who rated the overall quality of supplier relations as very good. This figure represents an increase since 2019 and is something we hope will climb in future surveys.

There are some interesting findings

- As procurement in New Zealand is becoming increasingly digitised, businesses have a positive overall satisfaction with the use of digital procurement solutions provided by government agencies, with 38% of respondents rating their overall satisfaction as 'good' or 'very good'. This was a new question in the 2021 survey.
- Smaller businesses are more reliant on government than larger ones but feel less able to bid effectively for tenders compared to larger businesses. This trend, seen in 2018 and 2019, was once again mirrored in 2021.
- As Government procurement places increasing importance on supplier diversity, in line with the progressive procurement policy that was announced in November 2020, we added new questions about New Zealand businesses' and Māori businesses' self-identification. These questions will be monitored in future surveys.

Areas for improvement

- Since 2018, all six key competencies of contract managers received a less favourable rating from businesses as compared to the prior year.
- As in 2019, there continues to be an ongoing trend in a lack of follow-up debriefs being offered by agencies to suppliers after a bid process, with a large portion (39%) rarely or never being offered a follow-up briefing according to 2021 respondents.
- 44% of respondents in the construction, infrastructure and manufacturing sector rated the overall quality of government procurement negatively. This is a significant increase since 2019 and may reflect the disruptions due to COVID-19. This is an area of concern that needs to be monitored in future surveys.

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 categories 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 negative, a score of 3 was neutral, and scores of 4 or 5 were positive.

Unspecified/blank responses: Responses to questions that chose ‘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, where a different scale (poor, fair, average, good, excellent) was used.

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 about 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 only.

Methodology

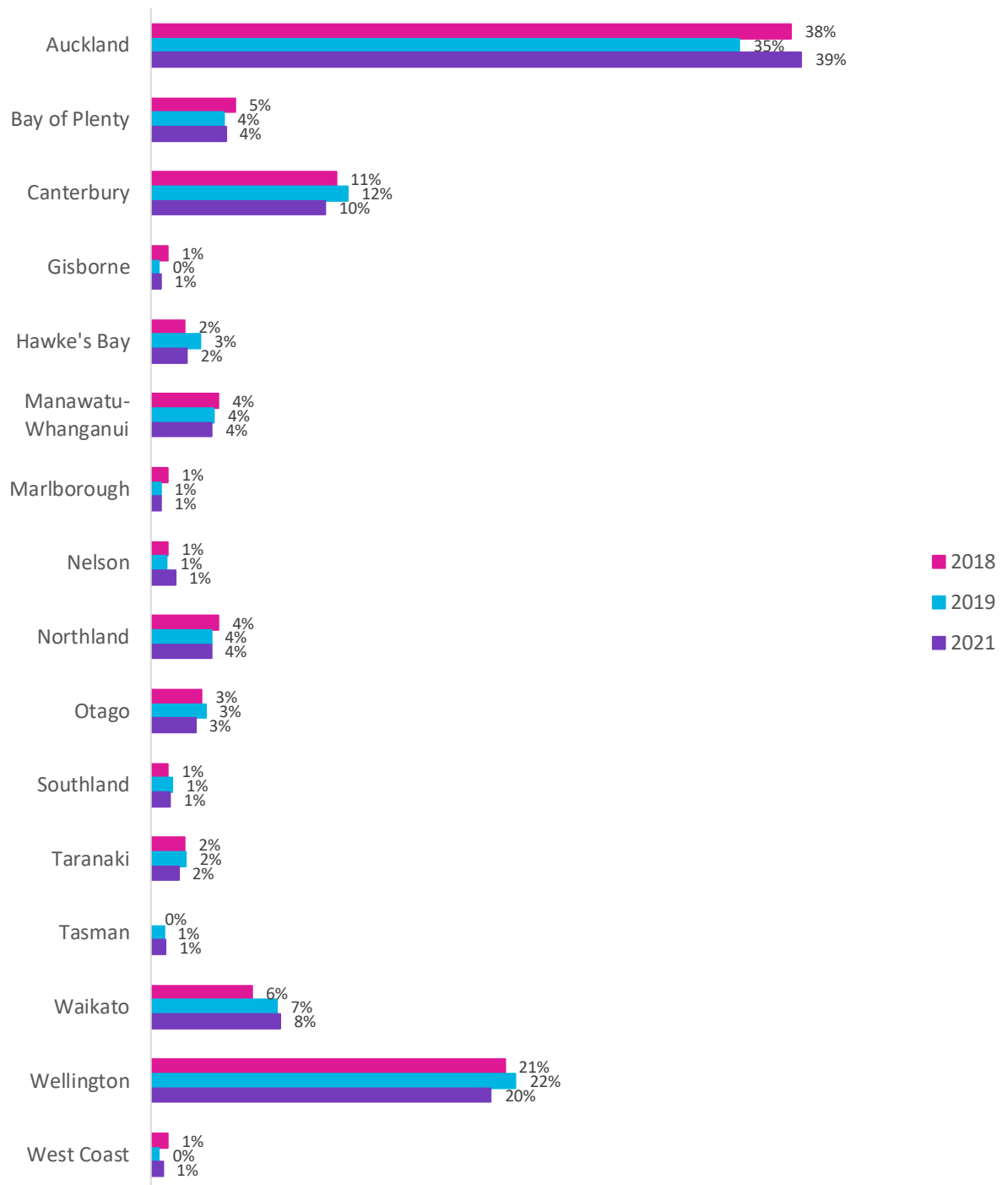
The 2021 New Zealand Government Procurement Business Survey is designed to build on and further develop the baseline data of the 2019 survey. As such, some questions have been added or altered between the years to improve the survey and in response to feedback from respondents. Where these changes have been made, it is not always possible to compare the results with previous years.

1. Business profile

Where businesses are based

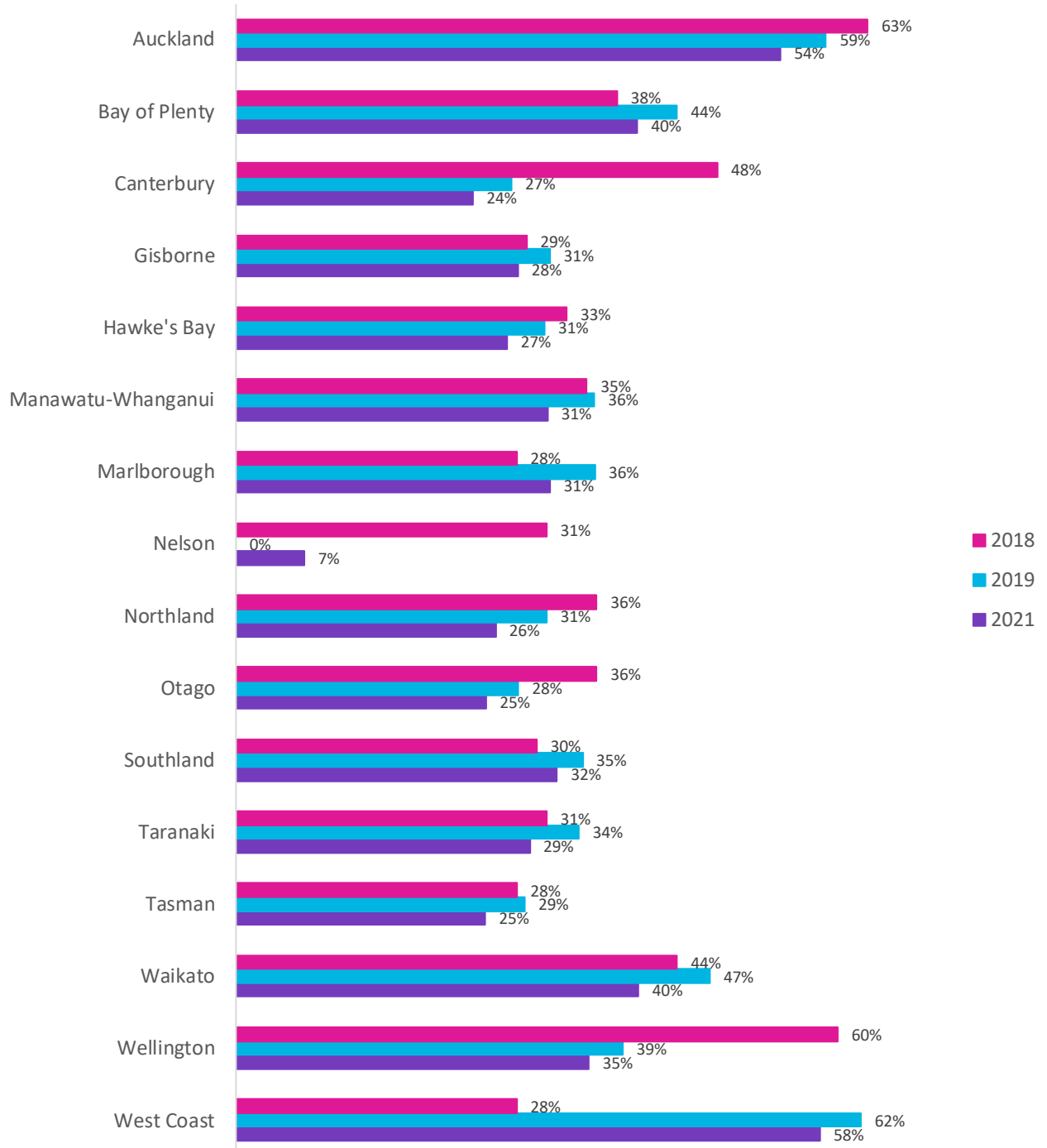
Figure 1 shows where in New Zealand responding businesses are based. Auckland, Wellington and Canterbury were identified as the regions where most businesses are based, with a slight increase in 2021 respondents from Auckland.

Figure 1. In which region is your main office in New Zealand based



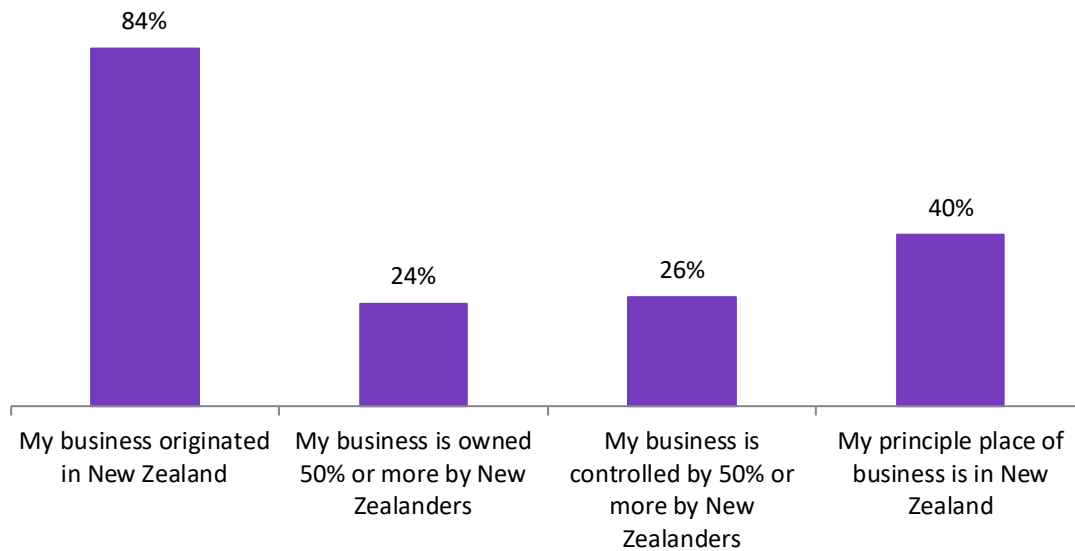
In terms of regions in which businesses supply to government, the results are very similar to results from 2018 and 2019, with Auckland and Wellington as the largest regions. There has been a decrease in all regions from 2019 data. Note that many businesses supply to government in multiple regions.

Figure 2. In what regions do you supply to government agencies



A new question was introduced in the 2021 survey to see how many businesses identified as a New Zealand business for procurement purposes. To be included in the definition of a New Zealand business, the business must have either originated in New Zealand, be owned 50% or more by New Zealanders, be controlled by 50% or more by New Zealanders or the business' principal place of business must be in New Zealand. As shown in Figure 3, 84% of respondents answered that their business originated in New Zealand, while only 24% responded that their business is owned 50% or more by New Zealanders.

Figure 3. Do you identify as a New Zealand business (2021)

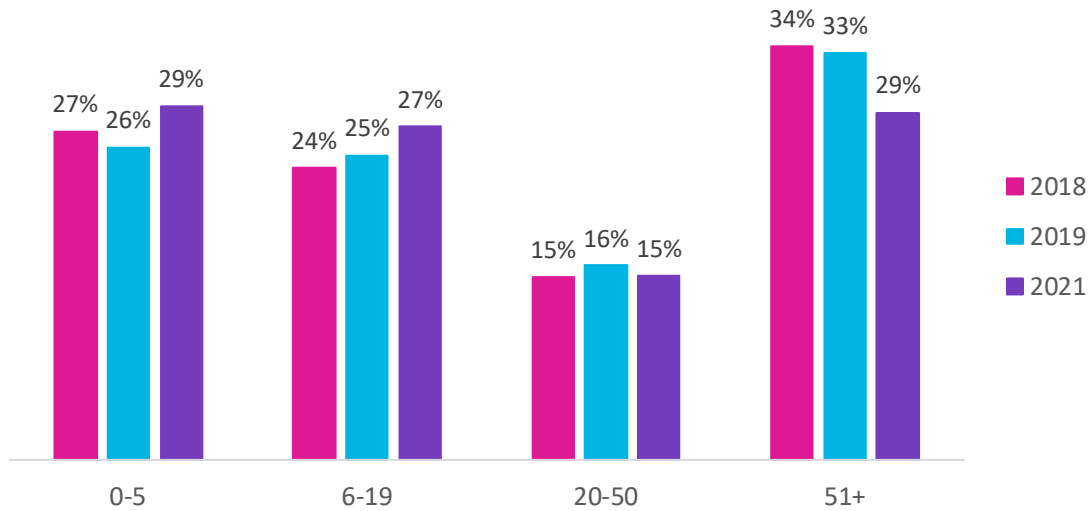


Another question was added to the 2021 business survey to focus more on the procurement system's current level of supplier diversity. This is in line with the progressive procurement policy announced in November 2020. Out of the 147 businesses (9%) that responded to this question, 139 are owned 50% or more by Māori and 11 were classified as a Māori Authority by the Inland Revenue Department (IRD).

Business size

Businesses with 50 or more FTEs remain the single largest group of respondents to the survey. Businesses employing less than 20 again made up roughly 56% of the respondents.

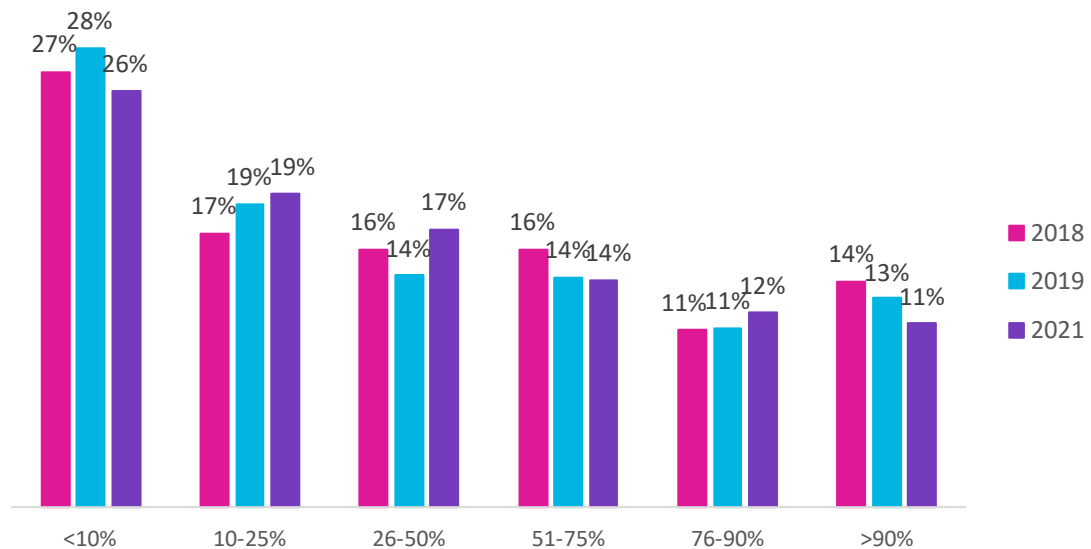
Figure 4. In full time equivalents, how many people work in your organisation



Annual turnover

Businesses were asked approximately how much of their annual turnover comes from supplying to government. Figure 5 reveals similar figures between 2018, 2019 and 2021 in this regard. Overall, in 2021 for over a third (37%) of businesses, more than half of their turnover comes from government. This compares to 38% in 2019 and 41% in 2018.

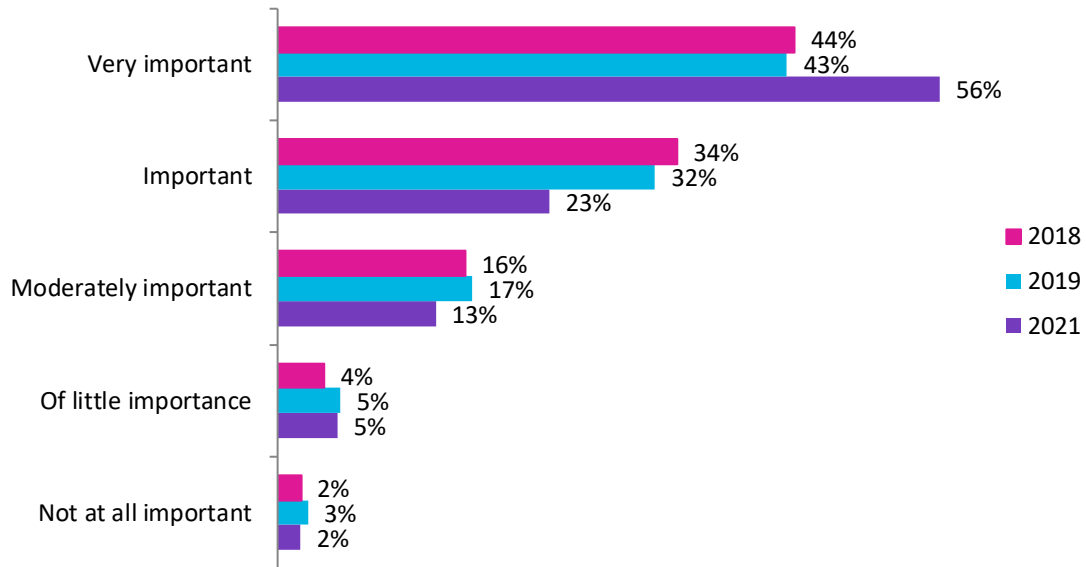
Figure 5. Approximately how much of this annual turnover comes from supplying New Zealand government agencies



Government as a customer

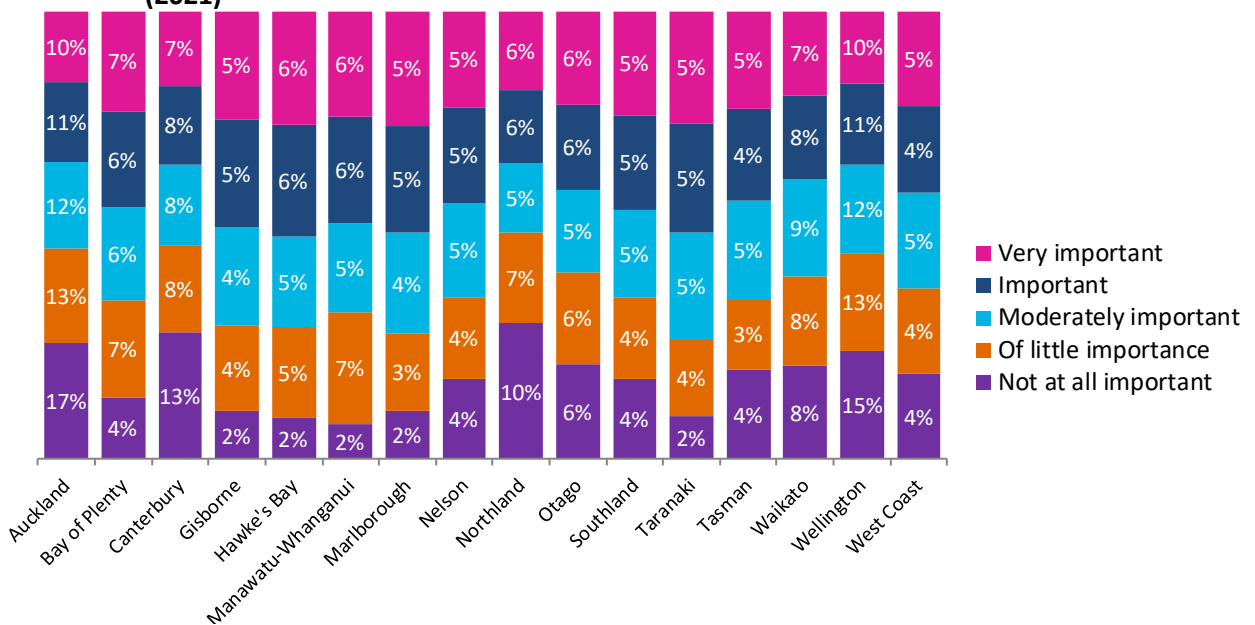
Respondents to the survey continue to confirm that government is an important customer, with 56% of respondents in 2021 stating that government business is very important to them. This compares to 43% in 2019 and 44% in 2018.

Figure 6. How important is government business to your organisation



As in 2019 and 2018, the location of the business as a factor influencing the importance of government as a customer was investigated. Figure 7 highlights how businesses from different regions responded to how important government business is to them. Waikato, Wellington and Auckland have the highest number of respondents rating the importance of government as a customer as ‘very important’.

Figure 7. How important is government business to your organisation by location (2021)

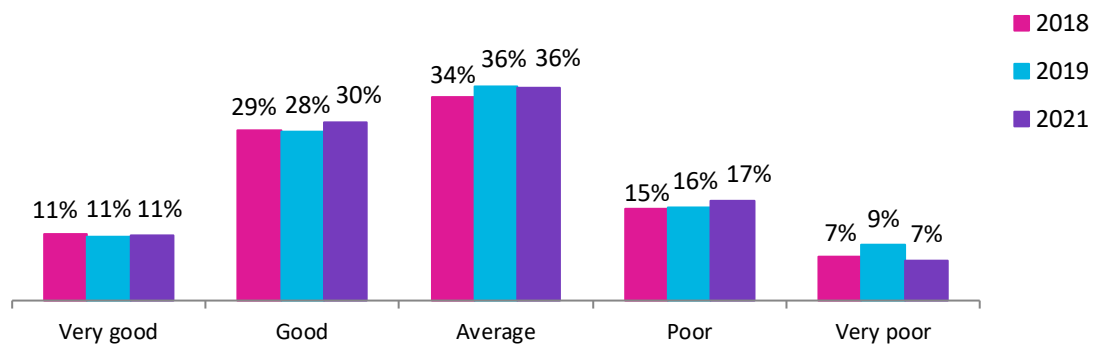


2. Initial engagement with government

Initial engagement

Businesses were asked to rate government's initial engagement on a scale from 'very poor' to 'very good'. Figure 8 shows that there has been no significant change in the ratings from 2018 and 2019, with 11% in 2021 describing government's initial engagement as 'very good', and 7% providing a 'very poor' rating. The 'very poor' rating has dropped 2% since 2019.

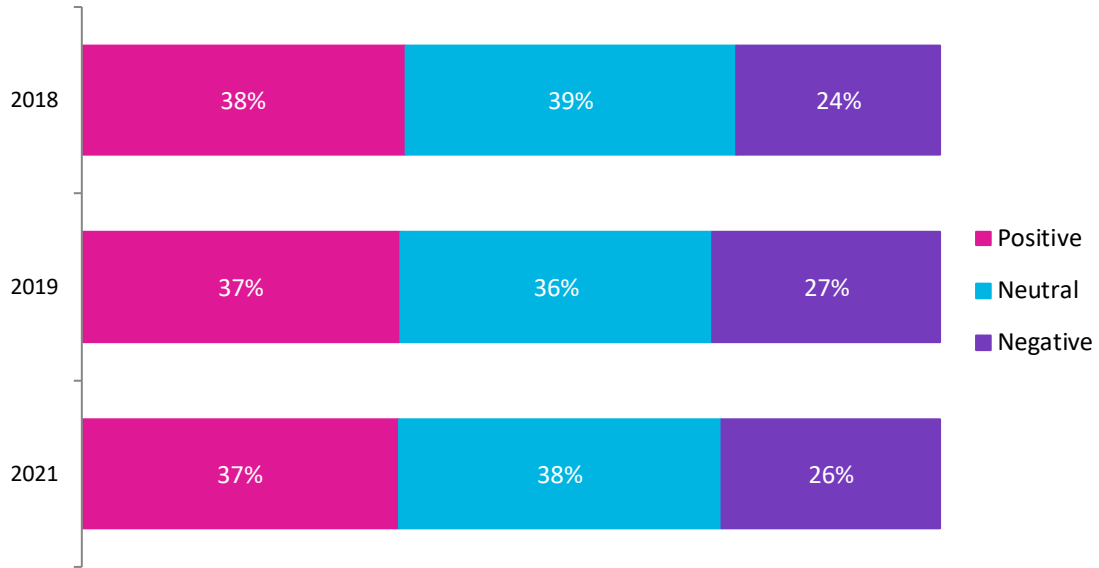
Figure 8. How businesses rate government's initial engagement



Government openness to discuss contract opportunities

Businesses were asked to rate how openly government officials discussed their requirements with businesses when asked for more information about a contract opportunity, using a scale from 'never' to 'always'. Due to a change in rating scales, answers have been grouped into three broad categories: negative, neutral and positive. Figure 9 shows that the 2021 figures closely resemble 2018 and 2019 statistics overall, with negative ratings at 26% and positive ratings at 37%.

Figure 9. How openly officials discussed contract opportunities



3. Tender activity

Time to respond to a tender

When asked whether businesses had enough time to respond to a tender during the procurement process, the significant improvements seen in 2018 have stabilised with little change 2019-2021.

Figure 10. Do you have sufficient time to respond to a procurement opportunity (2021)

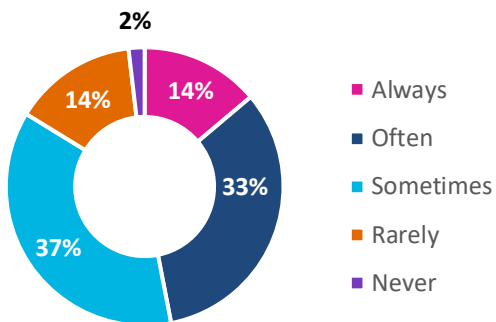


Figure 11. Do you have sufficient time to respond to a procurement opportunity (2019)

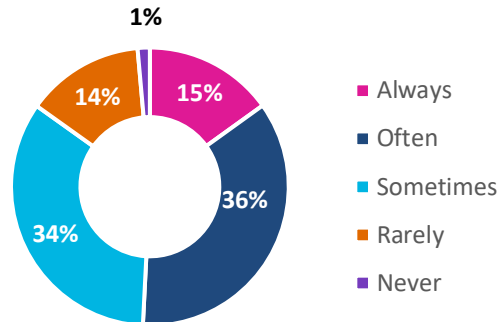
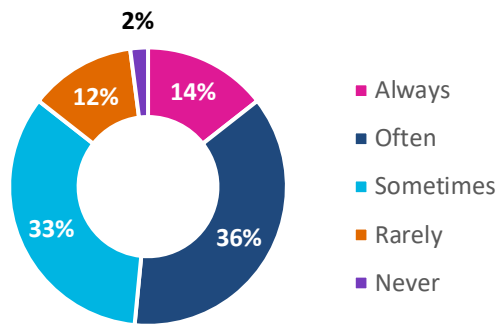
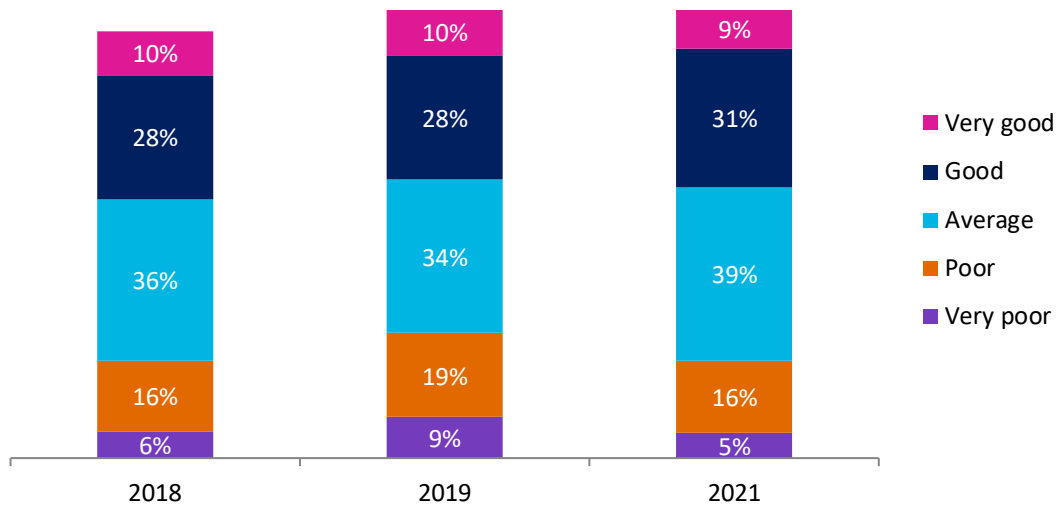


Figure 12. Do you have sufficient time to respond to a procurement opportunity (2018)



Businesses were also asked to rate the overall quality of government’s tender activity. Again, Figure 13 shows that results were very similar to previous years, with most (39%) providing an ‘average’ rating and 9% of respondents in 2021 describing the quality of the tender activity as ‘very good’.

Figure 13. How businesses rate the quality of tender activity



Tender documentation

While there has been a substantial improvement in how businesses perceive the quality of tender documents between 2016 and 2021, respondents in 2019 and 2021 have been a little less positive than in 2018. The 2021 survey result saw a dip in this positivity, with a 3% drop to 53% of respondents ascribing a positive rating to the sufficiency of tender documents. Similarly, Figure 15 shows respondents recognized the clarity of tender documents being produced, with respondents in 2018 and 2019 giving a positive rating of 48% and 47% respectively. Again, positive ratings dropped in 2021 down to 43%.

Figure 14. Sufficiency of tender documents

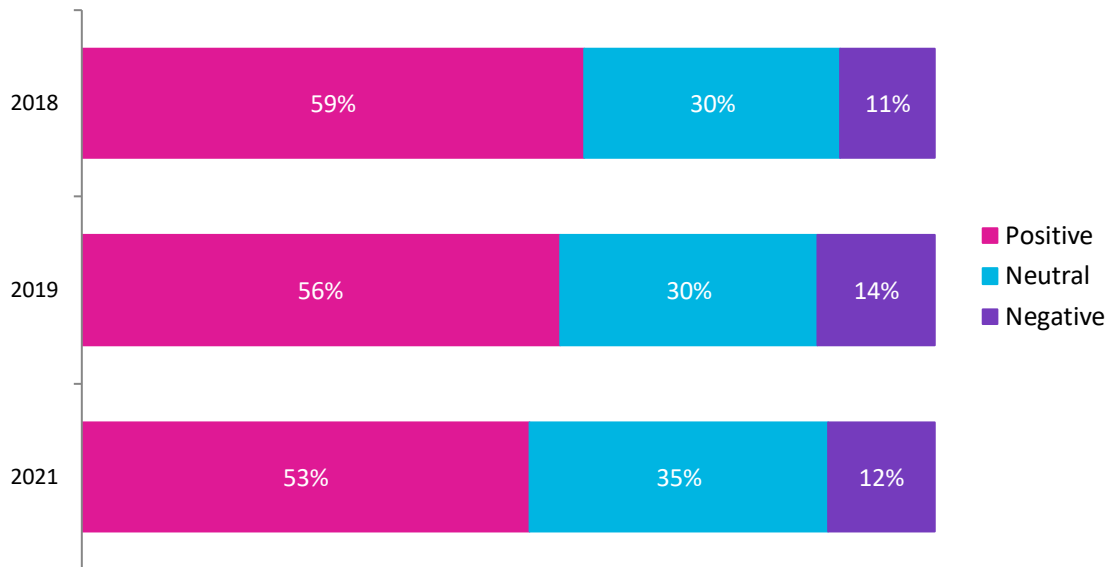
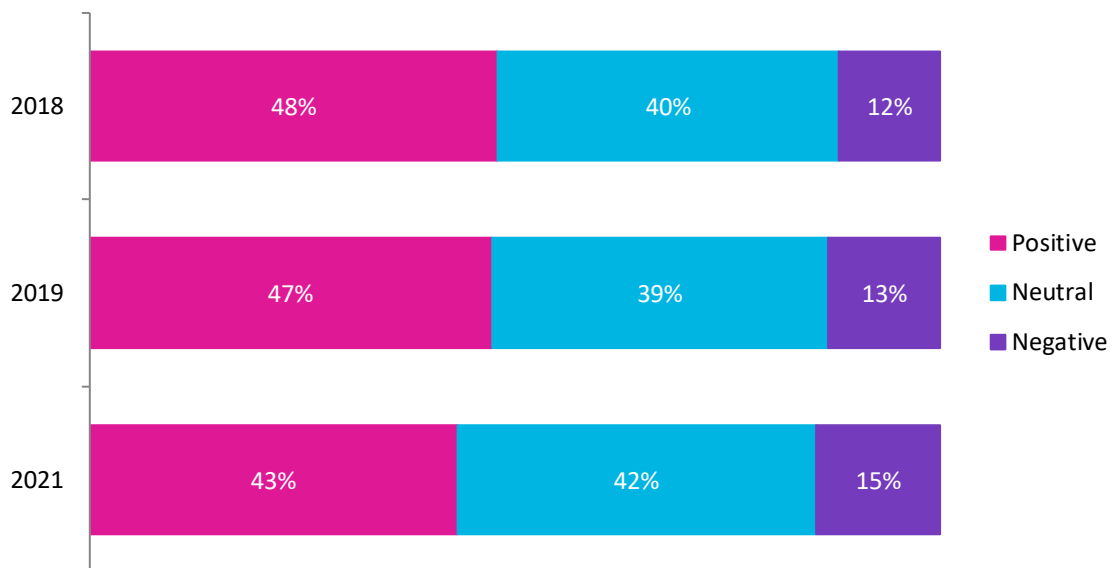


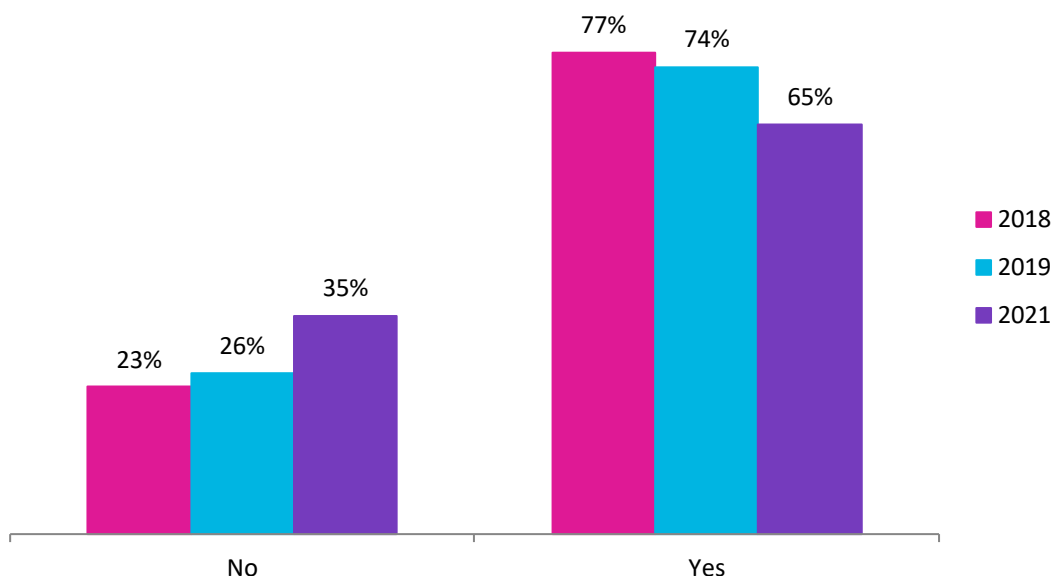
Figure 15. Clarity of tender documents



Factors relevant to success in tendering

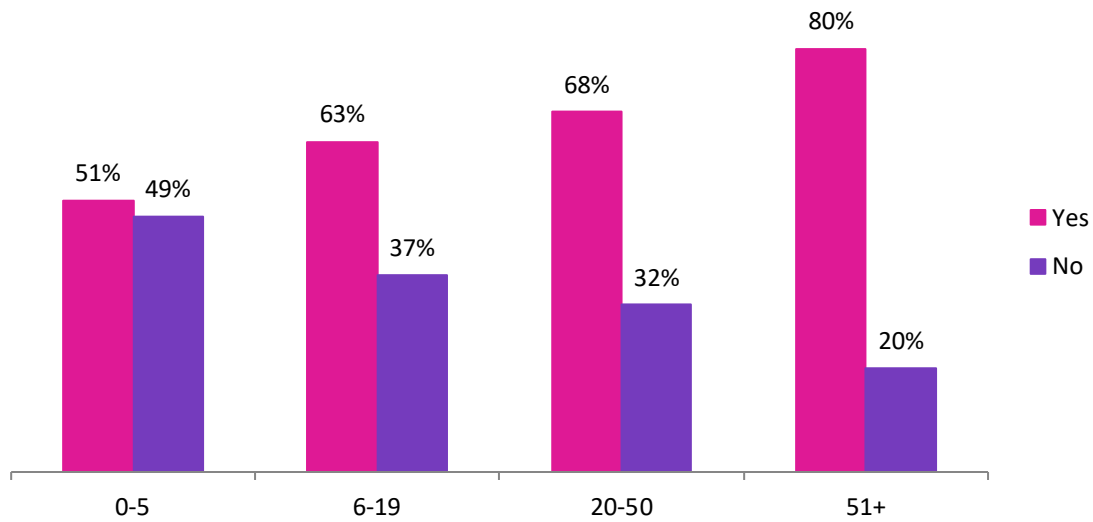
In 2021, 65% of business respondents stated they felt they could effectively bid for government contracts, while 35% replied with a 'no' in this regard. This is less than in 2019, when 74% of businesses responded that they feel they can effectively bid for government contracts and 26% businesses replied with 'no'. This represents a slight decrease of 9% in confidence between 2019 and 2021.

Figure 16. Do you feel you can effectively bid for government contracts



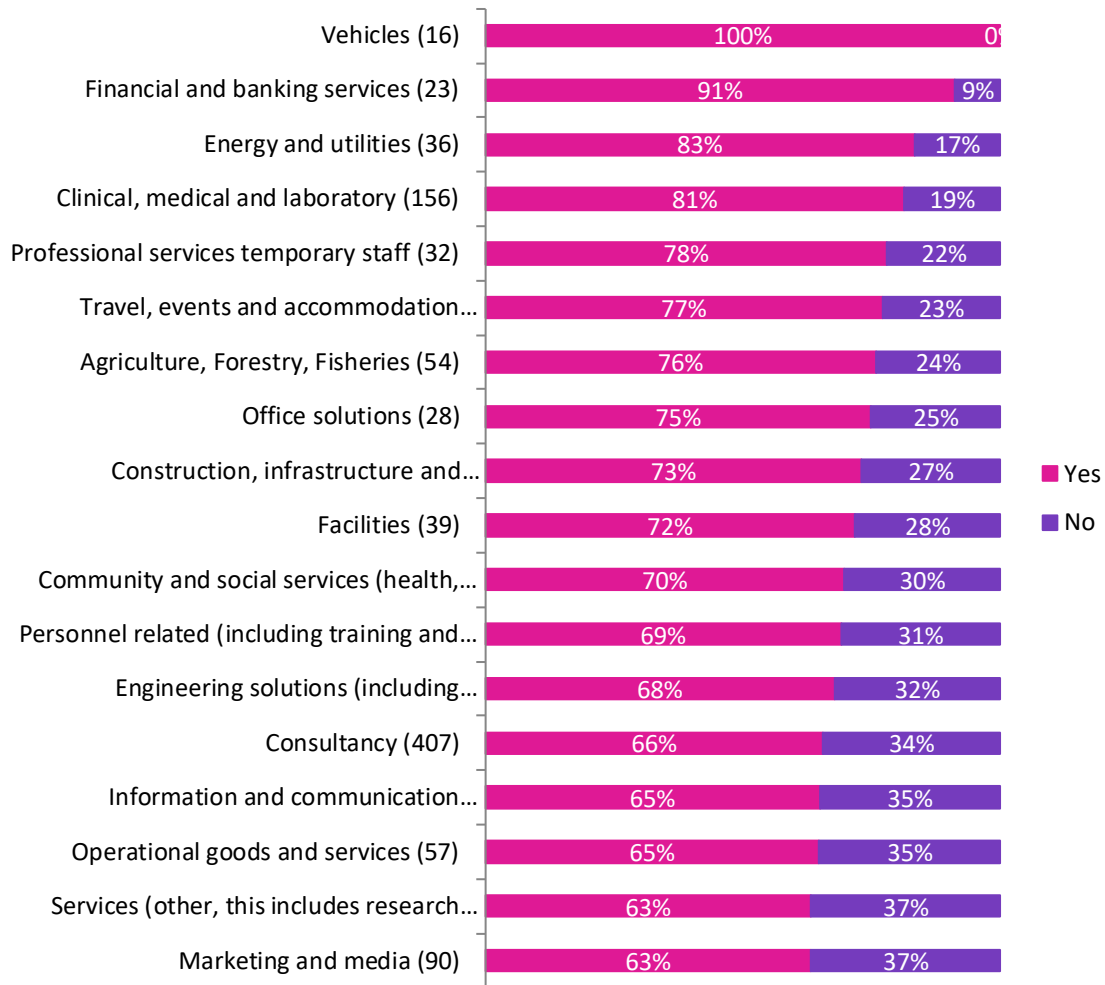
As in 2018 and 2019, these results have been further examined in terms of business size and the nature of the business (main field of business). Figure 17 displays responses to whether businesses feel they can effectively bid for government contracts by size (number of FTEs). In 2021, 80% of larger businesses (50 or more employees) responded positively to feeling able to effectively bid for government contracts. As expected, smaller businesses (5 or less employees) were not as confident, with 49% feeling that they cannot effectively bid for government contracts.

**Figure 17. Do you feel you can effectively bid for government contracts.
Cross cut by full time employees (2021)**



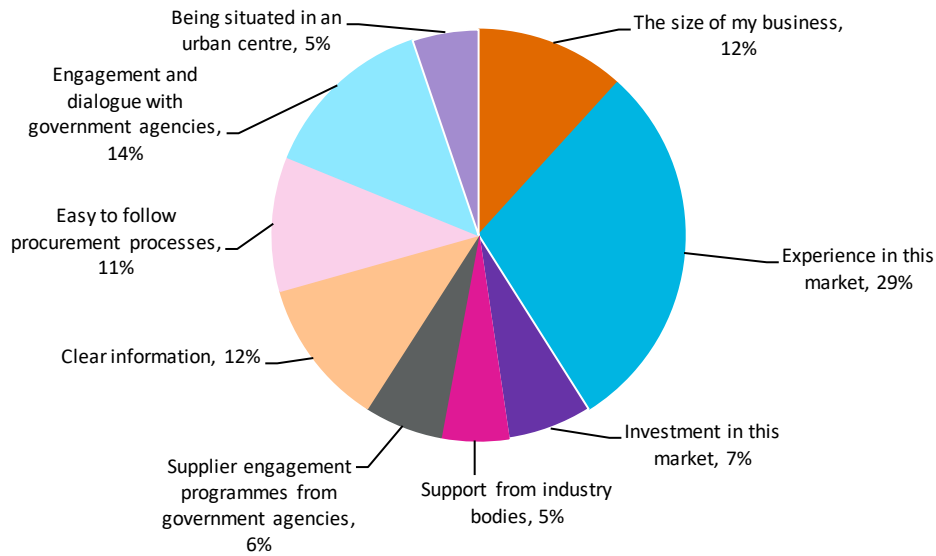
How businesses identified themselves in terms of their main field of business was also used to analyse how confident businesses felt in their ability to effectively bid for government contracts. Among industries with sufficient responses (above 15), operational goods and services, other services (including research services) and marketing and media were less confident in feeling able to bid effectively for government contracts, as seen in Figure 18.

Figure 18. Do you feel you can effectively bid for government contracts? (2021)



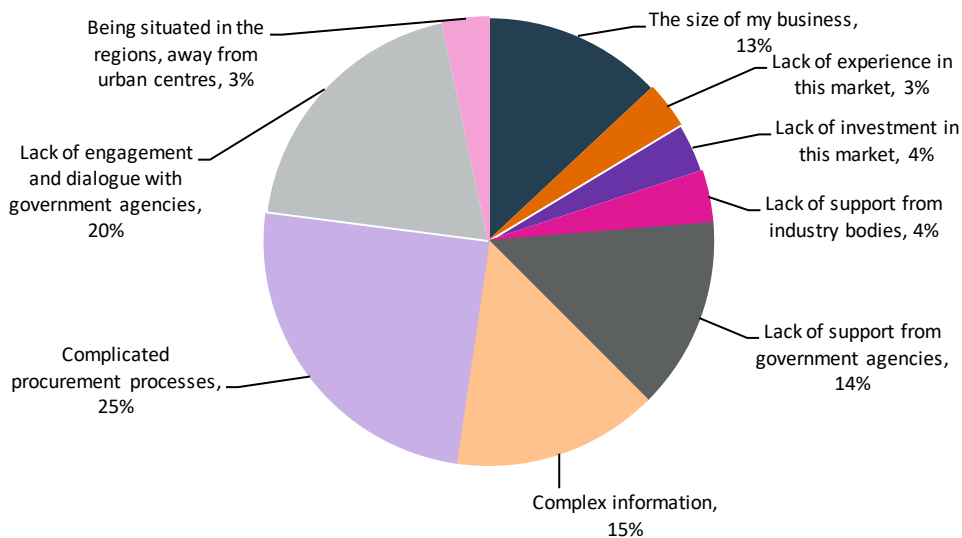
Following on from how businesses view whether they can effectively bid for government contracts, businesses were also asked about the factors that increased or decreased their success in bidding for tenders. Figure 19 shows that the primary factor was their experience in the market place (29%), followed by the engagement and dialogue with government agencies (14%), the size of the businesses (12%) and clear information (12%).

Figure 19. What are the main factors that help you to effectively bid for government contracts? (2021)



In relation to factors that decreased businesses' bid effectiveness, the main factors were complicated procurement processes (25%), lack of engagement and dialogue with agencies (20%) and complex information (15%). Given that, engagement and dialogue with government agencies and clear information were also rated as main success factors; this would suggest an ongoing disparity between how different agencies manage these areas.

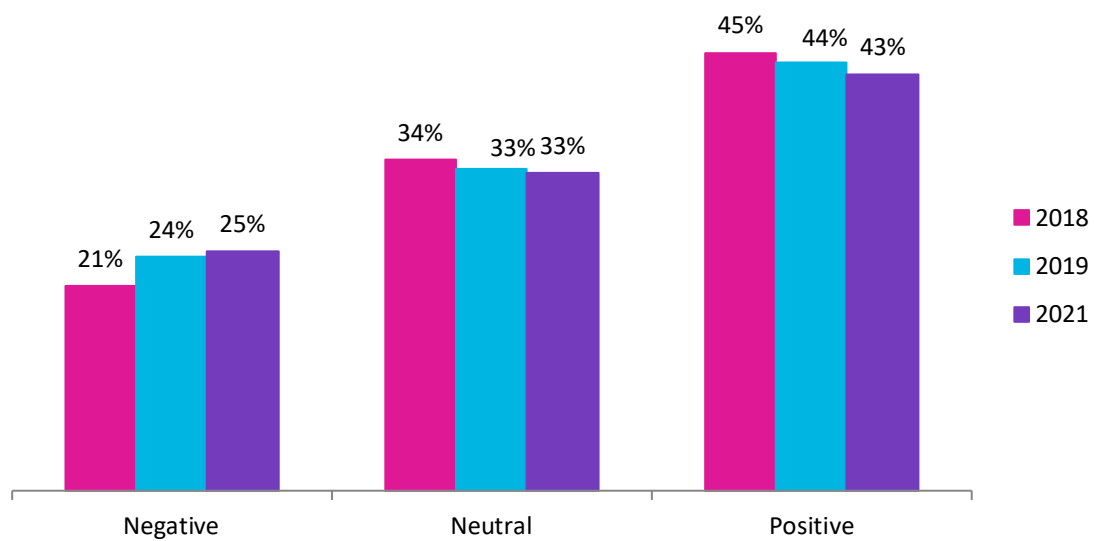
Figure 20. What are the main factors that make it difficult for you to effectively bid for government contracts (2021)



4. Contract management

Businesses were asked to rate the overall quality of contract management across government. Figure 21 highlights a slight trending decrease, with 43% of respondents in 2021 providing a positive rating, compared to 44% in 2019, 45% in 2018. With over a third of respondents providing a neutral or negative rating in this area, contract management continues to be an area requiring improvement, as was highlighted in the 2018 and 2019 reports.

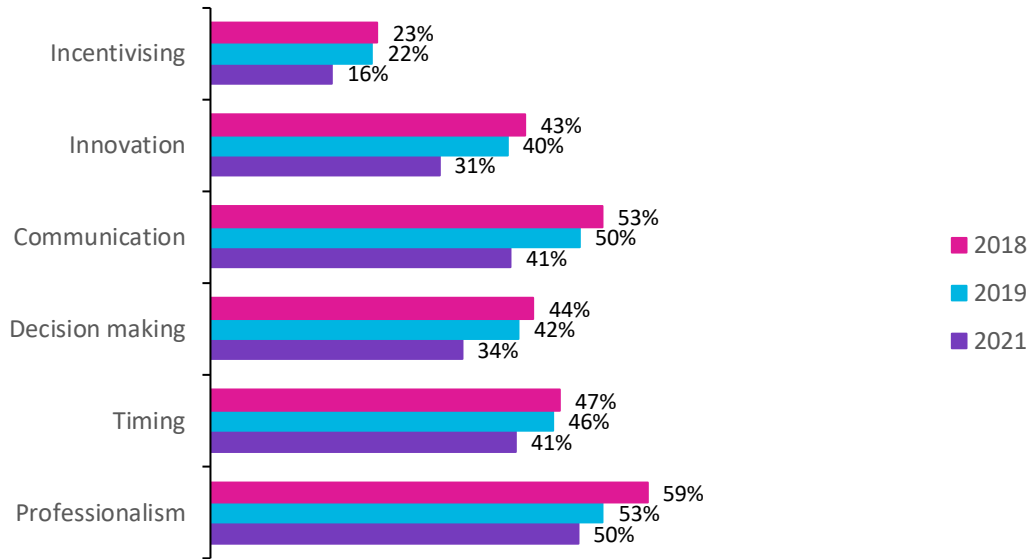
Figure 21. How businesses rate the quality of government's contract management



Competencies of contract managers

Businesses were asked to rate the performance of their contract managers across six key competencies: incentivising performance, openness to innovation or new ideas, clear communication, the quality of decision-making, timing of transactions, and the level of professionalism and knowledge. Unfortunately, between 2019 and 2021, there has been a slight decrease across all six categories, with the largest decreases of 9% for innovation and communication, as Figure 22 shows.

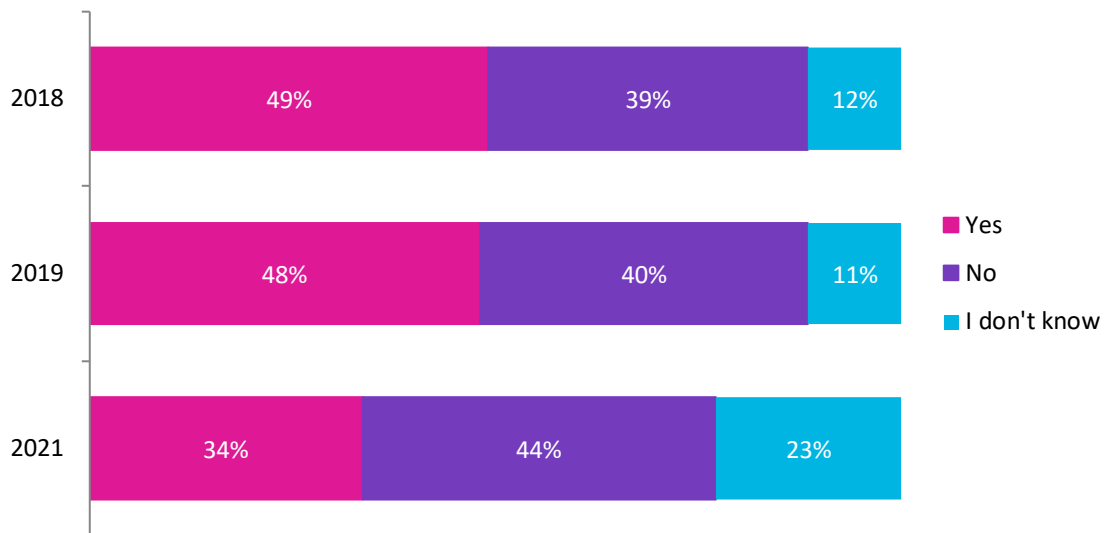
Figure 22. Percentage of businesses that rated completencies of their contract managers positively



Contract review meetings

Businesses were asked whether agencies they supply hold regular contract review meetings. Responses in 2021 noticeably decreased by 14% for positive results, with 34% of respondents submitting 'yes' and 44% 'no' compared to 48% 'yes' and 40% 'no' in 2019.

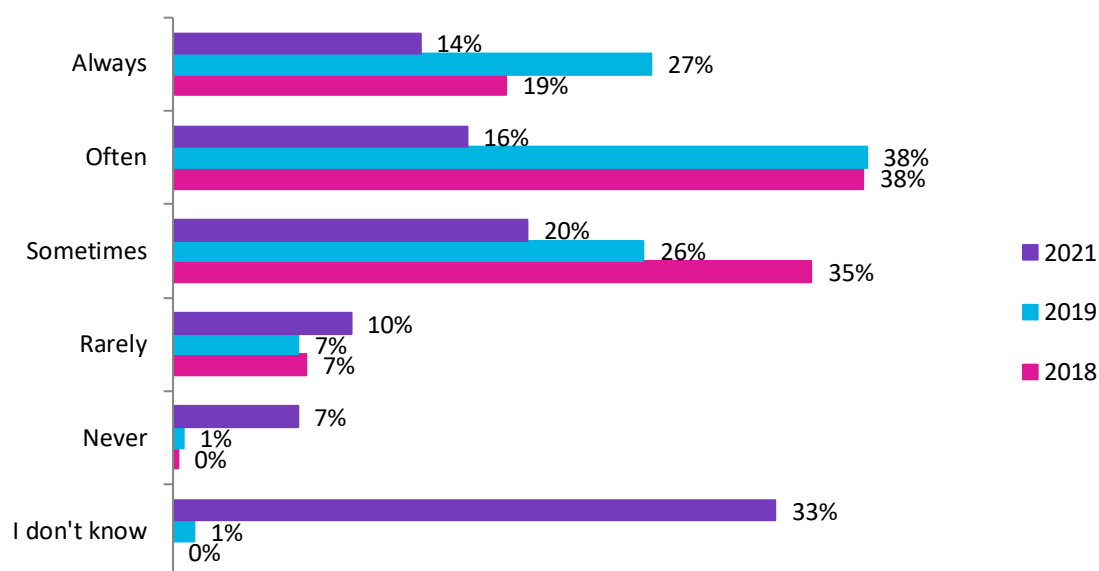
Figure 23. Do the agencies you supply hold regular contract review meetings



In terms of how often businesses found these contract review meetings to be helpful, there was a decrease in positive responses in 2021, with only 14% stating that they ‘always’ found these meetings helpful, compared to 27% in 2019 and 19% in 2018.

In other words, while 44% of respondents replied that agencies did not hold regular review meetings, only 14% of respondents felt that these meetings were useful when they were held. These figures indicate that this is an area for improvement.

Figure 24. Are these contract review meetings helpful



In addition to Figure 24, respondents were asked to provide their views on what would make the contract review meetings more helpful for businesses. The following outlines key themes in responses:

Provide feedback which can be incorporated for success in the future

“Have performance measured formally so that it can be used as an indicator for future procurement.”

“Provide feedback post-meeting as to the learnings from the discussion and how they might be implemented going forward.”

Use the meetings for improvement on both sides

“Have the meetings set a clear, consistent structure that equally considers the relationship, the ‘big picture’ and the tactical aspects of project work and engagement.”

“Provide regular updates from the agency/NZGP on how the panel/contract is performing overall would be helpful.”

“Have the meetings look for improvements to Government processes and administration performance not just the consultant or contractor performance.”

5. Supplier relationships

Debriefing suppliers

Businesses were asked how frequently they had a follow-up debrief after bidding for a tender and how helpful it was. In the years prior to 2018, these questions were asked as a single comprehensive question, making direct comparison difficult.

As shown in Figure 27 and 28, there has been a very slight change since 2019, with only 1% difference of respondents stating that they were ‘always’ or ‘often’ offered a follow-up briefing. A large portion (42%) are rarely or never offered a follow-up briefing. This continues to be an area of ongoing concern.

Figure 25. After you bid for a tender, were you offered a follow-up (e.g. debrief) by the government agency (2021)

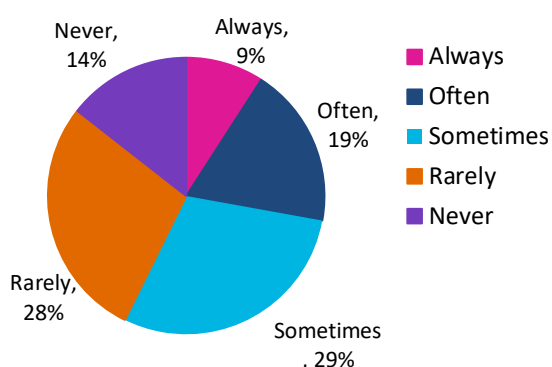
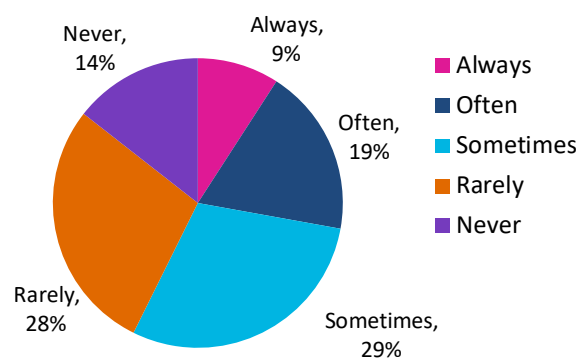
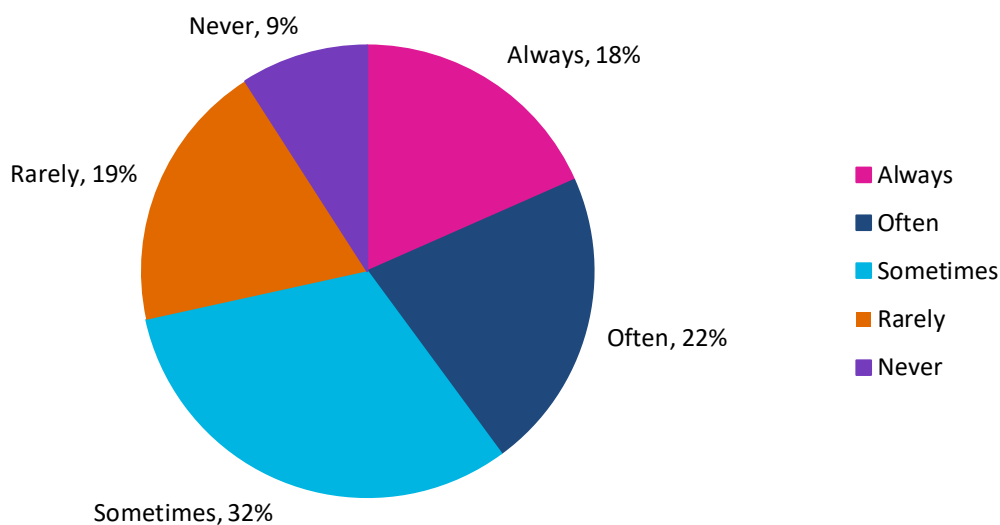


Figure 26. After you bid for a tender, were you offered a follow-up (e.g. debrief) by the government agency (2019)



Businesses were quite positive about how helpful these follow-up meetings were, with 44% stating ‘always’ or ‘often’ and 31% stating ‘sometimes’, as Figure 29 shows.

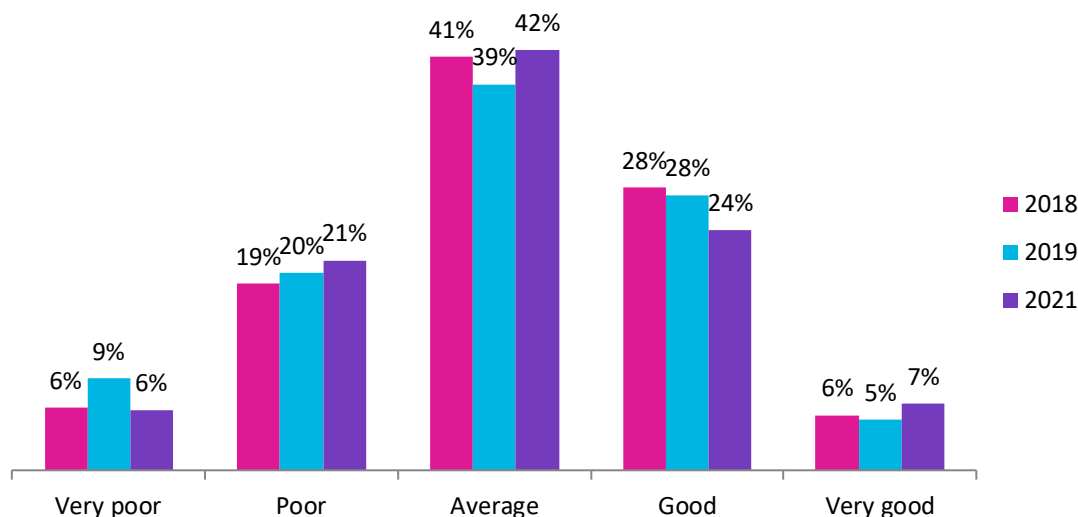
Figure 27. When you were provided with a follow-up from a government agency, was it helpful? (2021)



Overall quality of supplier relationships

In rating the overall quality of government’s supplier relationships, 7% of respondents found their relationships with agencies to be ‘very good’, 24% ‘good’, 42% ‘average’, 21% ‘poor’ and 6% found them to be ‘very poor’. Figure 30 shows that these figures are similar to the figures received in 2019, however there was a 2% increase in ‘very good responses’ from 5% to 7%.

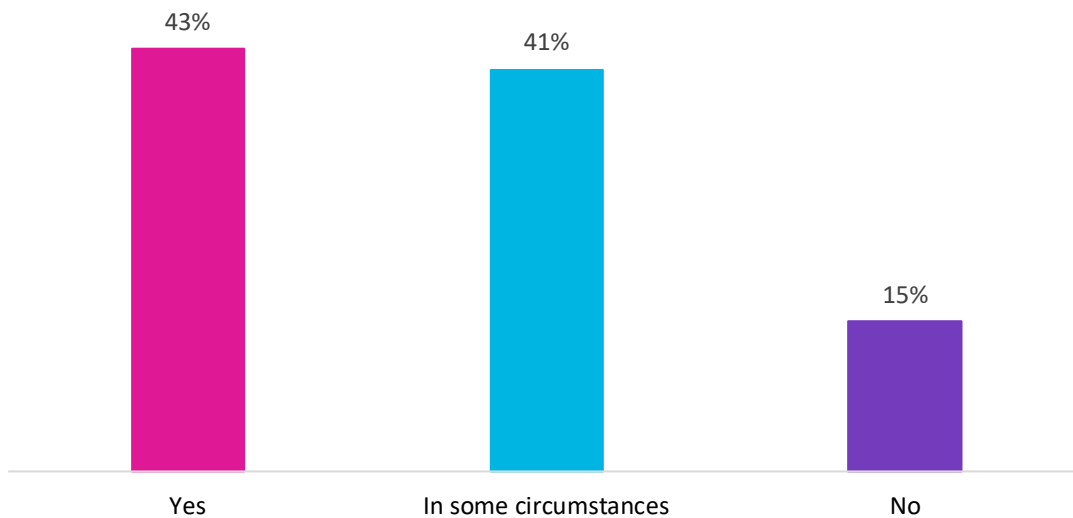
Figure 28. How would you rate the quality of the following government procurement activities



Recommending government as a customer

Businesses were asked whether they would recommend government as a customer to other businesses, as seen in Figure 31. Results from 2021 show 43% of businesses said they would recommend government as a customer, 41% said they would recommend government ‘in some circumstances’, and 15% responded that they would not recommend government as a customer to other businesses. As in previous years this question was open-ended, to capture nuances and a wide variety of reasons.

Figure 29. Would you recommend government as a customer to other businesses (2021)



The 2021 business survey also asked what improvements government agencies should make to become a more attractive customer. Below are some of the reoccurring themes:

Communication, engagement and partnerships

“Create collaborative partnerships.”

“Treat suppliers with respect and work with them.”

“Be more open and accommodating. Relationships are valuable and should be the foundation of our engagement with government.”

“Provide more open communication of what projects and services will be procured through a formal process in the next 36 months.”

“Have more emphasis on the improvements that would have won the tender, with across the board objective criteria that gives tenderers confidence that improvements will pay off.”

Simplify procurement processes

“Keep things simple. There is no need to over complicate basic things.”

“Being better prepared for tender, with clear realistic goals.”

Provide equal, fair and transparent opportunities for all business types

“Be fair, be transparent and give opportunities to others.”

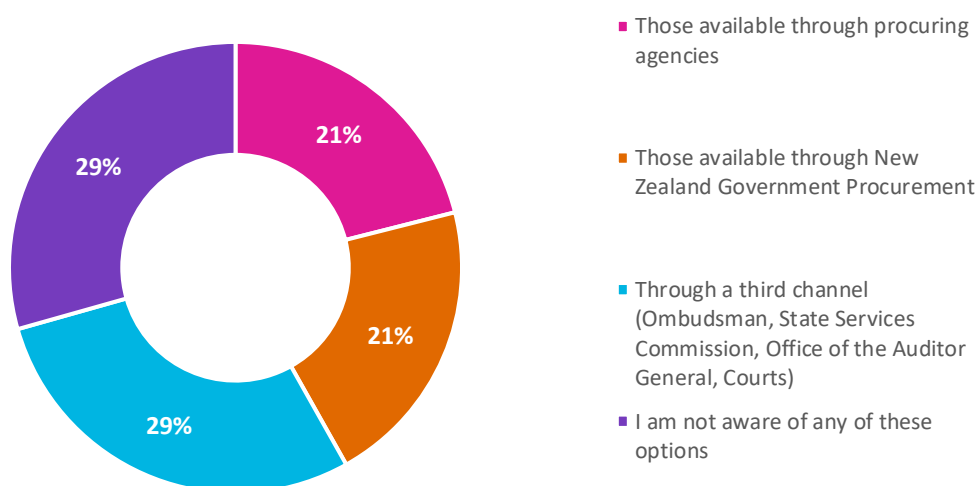
“Amend the judging and selection criteria. These are designed for large businesses and are unfavourable to small businesses even they have capability.”

“The procurement process should be an equal playing field for panelists or suppliers.”

6. The complaints process

Businesses were asked about their awareness of the availability of specific complaints processes. Prior to 2018, a single question was asked about complaints processes, and we have returned to the same format for the 2021 business survey. As shown in Figure 32, while 29% of businesses were not aware of any complaints options, the other 71% were aware of this through different channels: procuring agencies, NZGP or a third channel.

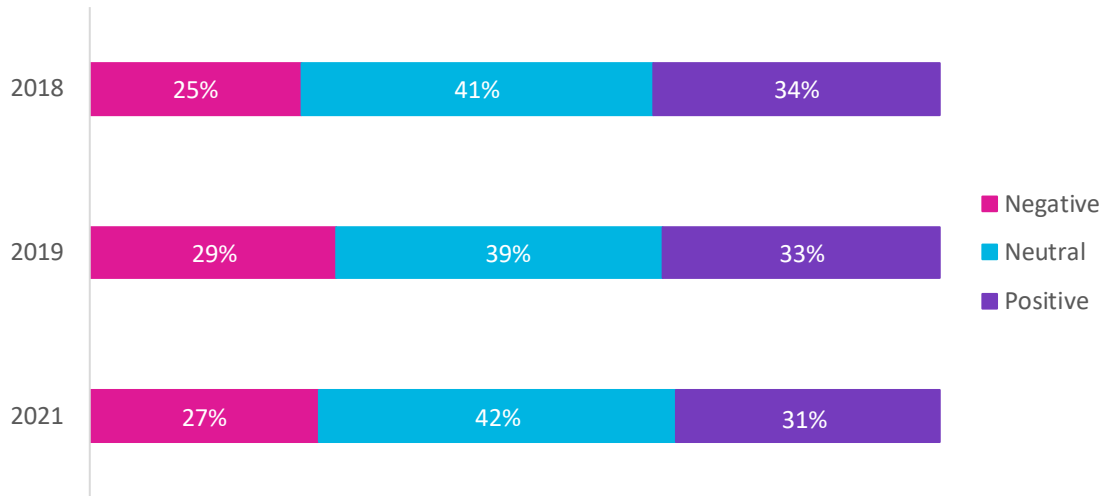
Figure 30. Are you aware of any of the following complaint/dispute resolution processes available? (2021)



7. The overall quality of procurement

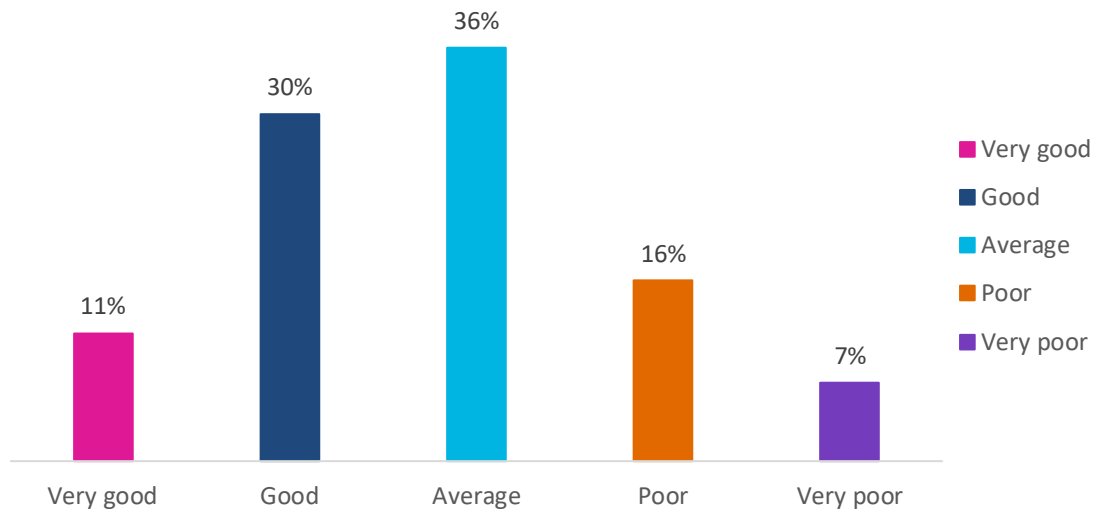
Overall, government procurement activity in New Zealand in 2021 has been rated similarly to previous years, but does not, for the most part, exceed the milestones set in 2019. Figure 33 shows the ratings that businesses gave for government procurement activity overall for the years 2018 - 2021. The 2021 results are similar to 2019 results that 31% of respondents provided a 'good' or 'very good' rating compared to 33% in 2019. However, there has been a decrease in number of respondents providing a 'poor' rating (down by 2% compared to 2019). The slight decrease of 'poor' and 'very poor' represents a move in the right direction that will be monitored in future surveys.

Figure 31. Overall, how would you rate the quality of government procurement activity (including initial engagement, tender activity, contract management and supplier relationships)



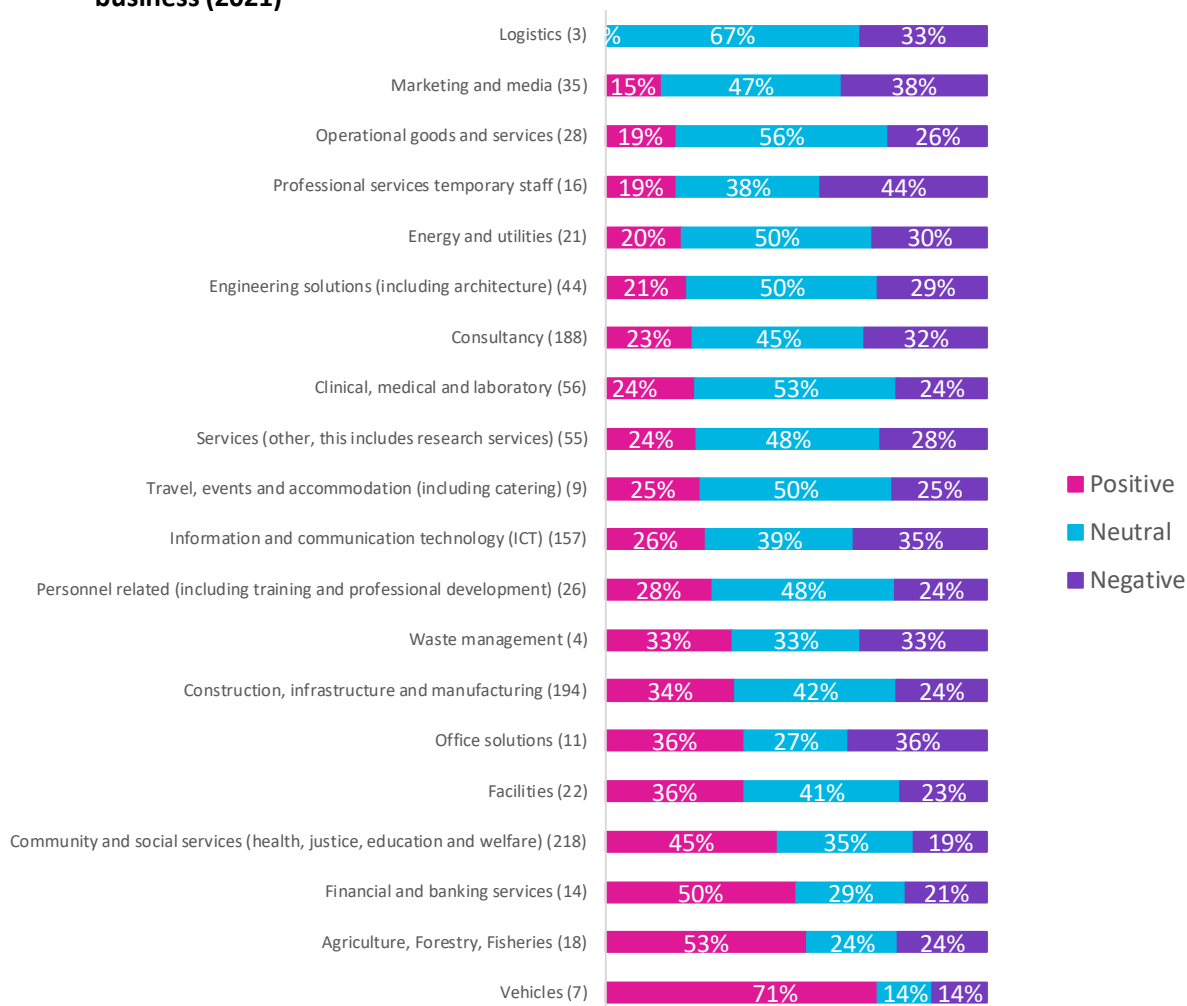
As procurement in New Zealand is becoming increasingly digitised, a new question was added in the 2021 survey to see how suppliers rated their overall satisfaction with the use of digital procurement solutions provided by government agencies. Figure 34 shows that 41% of respondents rated their overall satisfaction as ‘good’ or ‘very good’ while 23% rated their satisfaction as ‘poor’ or ‘very poor’. This is a good benchmark that will be monitored in future surveys.

Figure 32. Satisfaction with the use of digital procurement solution provided by government agencies (2021)



To gain a clearer picture of areas of concerns, the responses for overall quality of government procurement activity in 2021 were traced back to industry sectors and how respondents identified themselves in terms of their main field of business. Figure 35 provides an overview of the ratings different industry sectors provided for overall quality of government procurement activity, together with response sample sizes per sector.

Figure 33. Overall quality of government procurement activity by main field of business (2021)



Professional services temporary staff, marketing and media, and office solutions provided the most negative ratings, with 44%, 38% and 36%. Vehicles, as a sector, provided the most positive responses, with 71% of respondents issuing a positive rating for overall government procurement activity, followed by the agriculture, forestry and fisheries sector (53%) and the financial and banking services sector (50%). Of these sectors, the waste management, logistics and vehicles sectors yielded sample sizes of less than 10.