



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

**NEW ZEALAND  
GOVERNMENT PROCUREMENT**



# **New Zealand Government Procurement Business Survey 2017**

## **A companion report for community service providers**

Published September 2017

## New Zealand Government

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## Table of Contents

Introduction .....	4
Key findings .....	5
Areas for improvement.....	7
Definitions and interpretation of results .....	8
Profile: Community service providers.....	9
Government agencies supplied.....	10
Business knowledge of government procurement.....	11
The importance of government business .....	11
Quality of government procurement activities.....	12
Quality of tender activities.....	13
Quality of contract management activities.....	14
Relationship management .....	15
Success factors and barriers when bidding for government contracts .....	15
Bidding for government contracts .....	16
Government asking for improvements.....	17
Government adopting providers' ideas .....	18
Awareness of advisory services/resources and complaints processes.....	19
Government as a buyer.....	19
Comments from providers: Key themes .....	20
Appendix 1: Further detailed results.....	23

# Introduction

## New Zealand Government Procurement Business Survey

New Zealand Government Procurement (NZGP) within the Ministry of Business, Innovation and Employment (MBIE), runs an annual business survey to understand suppliers' and providers' experiences of government procurement. The survey helps track how the initiatives of NZGP to improve commercial practice within government are affecting businesses.

In March 2017, the fourth edition of this survey was conducted. A link to the survey was sent to everyone registered on the Government Electronic Tenders Service and was made available on the NZGP website. It was also sent to community service providers via several umbrella groups and networks. The survey was open from the 8<sup>th</sup> of March to the 5<sup>th</sup> of April 2017 and feedback was received from 2,095 businesses (which included 255 community service providers). This is compared to 1,983 businesses 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 (including community service providers) and more effectively procure services. Some developments that have taken place over the last few years as a result of the areas identified in the survey include:

- creating a framework to improve the management of government's high risk and/or high value contracts
- establishing a Social Services Procurement Capability Team
- publishing the Guide to Buying and Managing Social Services
- encouraging government agencies to use standardised templates (where appropriate) to reduce duplication, improve consistency and increase clarity in tender documents and contracts
- continuing work to benchmark procurement capability in government agencies, assess improvement areas and establish capability initiatives.

## Structure of the report – focusing on community service providers

This is a companion report to the New Zealand Government Procurement Business Survey Report 2017 and focuses on results from community service providers (providers). It is structured around two key stages of the procurement lifecycle involving the sourcing of services (engagement and tender activity) and the management of services (contract management) and outlines providers' experiences doing business with government.<sup>1</sup>

This is the first time results for this group have been analysed and reported. While the number of respondents is low (255) compared to the total number of community service providers in New Zealand, the results provide some useful insights. In the infancy of the Social Services Procurement Capability Team, this research (while indicative) serves as a useful benchmark against which improvements can be measured.

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<sup>1</sup> The procurement lifecycle has eight stages and can be found at <http://www.procurement.govt.nz/procurement/for-agencies/guides-and-tools>

## Key findings

The majority of providers said they mainly provided services for central government departments (67%) and District Health Boards (21%) and that doing business with New Zealand government was extremely important (69%).

### Quality of government procurement

A quarter (25%) of respondents positively rated the overall quality of government procurement while almost half (47%) rated it as average.

When asked to rate three specific procurement activities around a third of respondents rated them positively:

- tender activity (29%)
- initial engagement (33%)
- contract management (39%).

### Quality of tender activities

Around half (52%) agreed tender documents provided all the information they needed but less than half agreed it was easy to read (40%), while 41% said they received a reasonably helpful follow-up after they bid for a tender.

Only around a quarter (26%) positively rated the amount of time provided to respond during the procurement process.

### Quality of contract management

Over a third of respondents (39%) positively rated the overall quality of contract management, while 33% rated it as average, and a quarter (28%) rated it as poor or very poor.

Over half (60%) were satisfied or very satisfied with their contract manager's level of professionalism and knowledge and 56% were satisfied or very satisfied with their level of clear communication.

However, only a third (35%) positively rated their contract manager's openness to innovation or new ideas and only 20% positively rated their ability to incentivise performance.

Over half (58%) of respondents said contract review meetings were always (18%) and often useful (40%).

### Barriers and success factors when bidding for government contracts



#### Top three factors which reduced bid effectiveness:

1. Complicated procurement processes
2. Complex or unclear information
3. Lack of engagement and dialogue with government agencies

#### Top three factors which increased bid effectiveness:

1. Experience in the market place
2. Engagement and dialogue with government agencies
3. Clear information



## Relationship management

Approximately 37% of respondents positively rated their relationship with government agencies while 39% rated it as average and 23% rated it as poor or very poor.

## Main source of information about government contracts

Over half (58%) of respondents said their main source of information about government contracts was through the Government Electronic Tender Services (GETS) with a quarter (25%) saying it was through a government agency.

## Awareness of advisory services/resources and complaints processes

Over half (57%) of respondents were not aware of any advisory services/resources and a quarter (25%) said they were aware of them but had not used them.

Over half (62%) of respondents did not know about the availability of complaints processes while 38% said they knew about available complaints processes.

## Community service providers results compared to total survey sample

Survey results for community services providers are generally very similar to the total 2017 New Zealand Government Procurement Business Survey sample.

**Table 1: Similar results for total survey sample and community service providers**

Positive ratings for:	Total sample	Providers
<b>Procurement</b>		
Overall quality of government procurement	24%	25%
Tender activity	31%	29%
Initial engagement	35%	33%
Contract management	38%	39%
<b>Tender activity</b>		
Tender documents give all the information I need	48%	52%
Information in tender documents is easy to understand	39%	40%
<b>Contract management</b>		
Contract manager's level of professionalism and knowledge	63%	60%
Clear communication	60%	56%
Contracts management meetings	55%	58%
<b>Information - GETS was a main source of information</b>	65%	58%
<b>Unaware of:</b>		
Advisory services or supplier/provider resources	59%	57%
Availability of complaints processes	68%	62%

## Key differences:

There are a few but significant differences between the total sample and participating community service providers. Community service providers were less positive than the total sample about: the amount of time given to respond, their contract manager's openness to innovation or new ideas, and their contact manager's ability to incentivise performance.

In contrast, providers were more positive about receiving a follow-up which is reasonably helpful (41% of providers compared to 33% of the total survey sample). These differences are outlined in the table over.

**Table 2: Different results for total survey sample and community service providers**

<b>Less positive than total sample</b>	<b>Total sample</b>	<b>Providers</b>
Sufficient time to respond during the tender process	46%	26%
Openness to innovation or new ideas	49%	35%
Incentivising performance	29%	20%

<b>More positive than total sample</b>	<b>Total sample</b>	<b>Providers</b>
Receive a follow-up which is reasonably helpful	33%	41%

## Areas for improvement

There is room to improve tender activity and in particular ensure:

- adequate time for providers to respond during the procurement process
- information in tender documents is easy to understand
- easy to follow procurement processes
- effective engagement and dialogue
- providers agree the most appropriate procurement approach (tender/sourcing approach) was used to get the best outcome.

There is also room to improve contract management particularly in terms of:

- openness to innovation or new ideas
- incentivising provider performance.

Lastly, there is scope to improve awareness of advisory services/resources and the availability of complaints processes.

# Definitions and interpretation of results

## Business size

Respondents were asked to indicate how many Full Time Employees (FTEs) they had. These groups are categorised as:

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

## Ratings

For some questions providers were asked to rate aspects of government procurement on a five point scale from very poor to very good, or very dissatisfied to very satisfied. Ratings of 1 or 2 were considered to be negative, a rating of 3 was neutral, and ratings of 4 or 5 were considered positive. Consequently, where results are expressed as 'positive' this means the percentages for ratings 4 and 5 have been combined.

## Unspecified/blank responses

For some questions respondents were able to select 'not applicable'. Where this occurred these have been removed from the results.

## Limitations

The sample size is very small (255 participants) compared to the total number of community service providers in New Zealand. Therefore the results need to be considered as indicative and cannot be viewed as representative of all New Zealand community service providers.

It is hoped that in time the number of providers participating in the survey will increase, enabling the results to better reflect the views and experiences of the group.

Some respondents reported in the comments sections it was very difficult to provide ratings for some of the questions because they wanted to rate some government agencies very good, while others they wanted to rate as very poor, making it difficult to generalise.

## Methodology

This year a slight change was made to one of the questions to better identify community service providers participating in the survey and be able to generate this report.

The survey question asked participants to identify their main field of business. To make it clearer one of the options was re-worded so that community service providers participating in the survey would be accurately captured under one field.

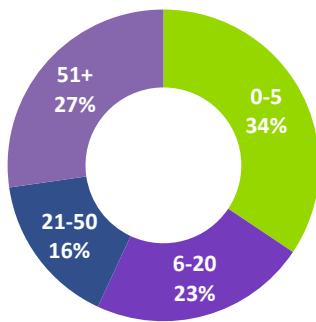


# Profile: Community service providers

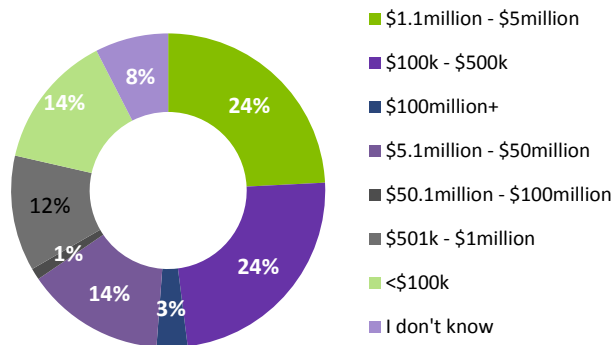
## Business size, turnover and location

1. **Business size:** Over half of respondents (57%) were small and micro providers with between 0 – 20 FTEs and 43% were medium to large providers with between 21-51+ FTEs.
2. **Turnover:** Almost a quarter of respondents (24%) had turnover between \$100k to \$500k per year while almost another quarter (24%) had turnover between \$1.1 million and \$5 million per year.
3. **Location:** Approximately 27% of providers responding said that their organisation is based in the Auckland region, 13% said the Wellington region and 11% said in the Waikato.

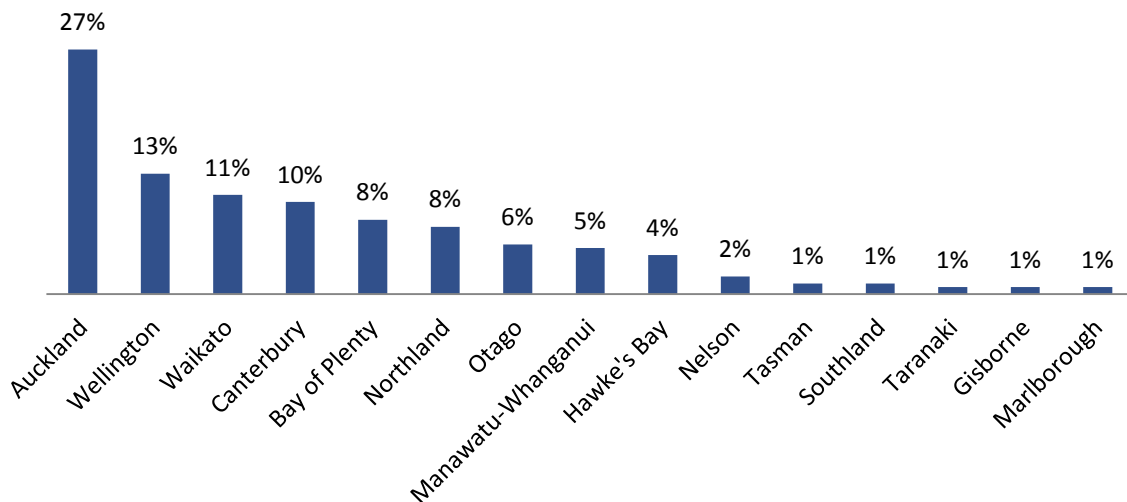
1. In full time equivalents, how many people work in your organisation?



2. What was your approximate annual turnover in New Zealand dollars in the last financial year?



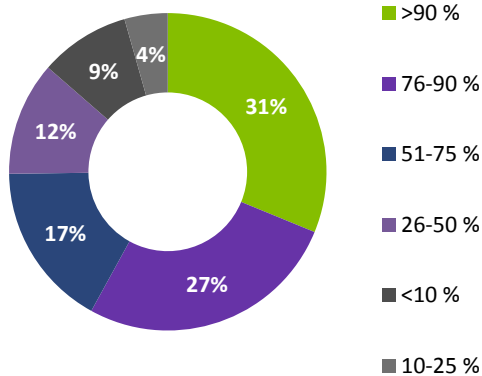
3. In which region is your organisation based?



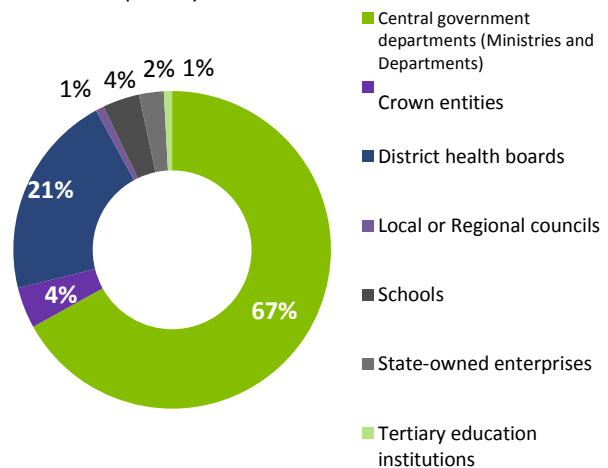
## Government agencies supplied

4. Approximately 31% of providers said that over 90% of their turnover came from supplying New Zealand government agencies while 27% said between 76% – 90% and 17% said between 51% – 75%.
5. Over half (67%) of respondents said central government departments were their primary customer followed by 21% saying District Health Boards were their primary customer.
6. The majority of respondents (80%) had bid for government contracts in the last five years.
7. The majority (89%) reported they currently had a contract with government.

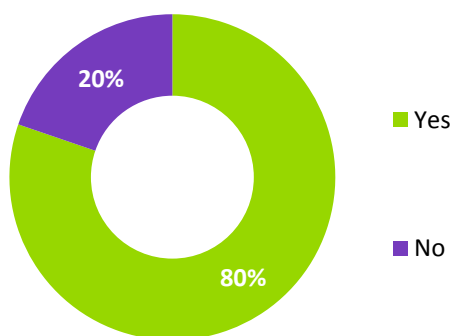
4. Approximately how much of your turnover comes from supplying New Zealand government agencies?



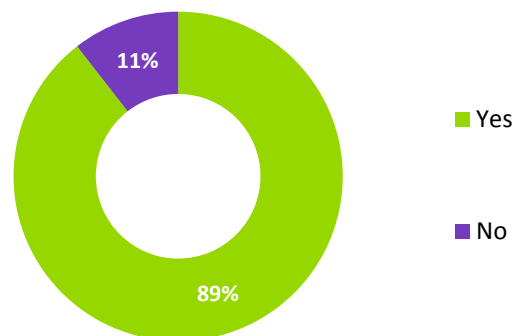
5. Of the agencies you supply which is your primary customer?



6. Have you bid for any government contracts in the last five years?



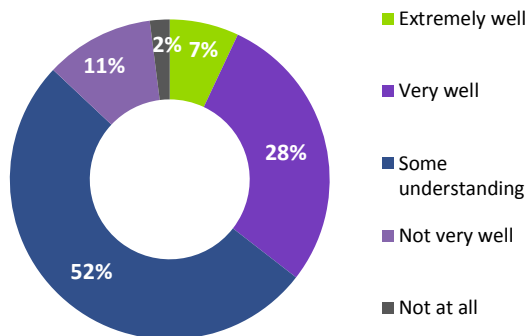
7. Do you currently have a contract with government?



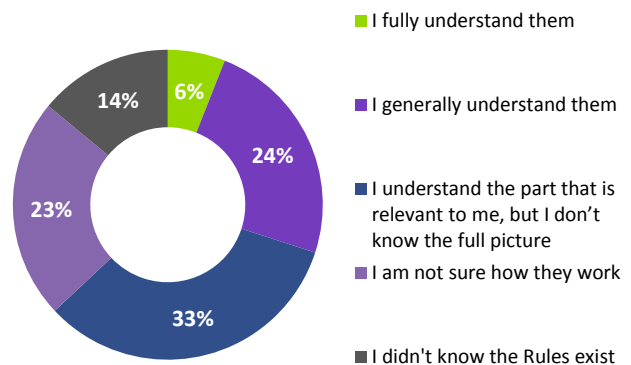
## Business knowledge of government procurement

8. Just over half of respondents (52%) said they had some understanding of how the government procures and the way different types of government agencies operate, while a third (35%) said they understood it very or extremely well.
9. Approximately 33% said they understood the part of the Government Rules of Sourcing that was relevant to them but they didn't know the full picture, while 24% said they generally understood them. Approximately 23% said they were unsure how they worked and 14% didn't know they existed.

8. How well do you understand how the government procures and the way different types of government agencies operate?



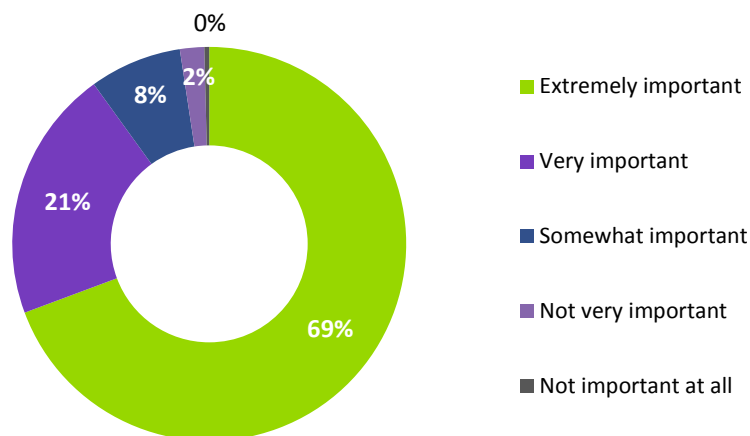
9. How well do you understand the Government Rules of Sourcing?



## The importance of government business

10. Almost 70% of respondents said that doing business with New Zealand government was extremely important while 21% said it was very important.

10. How important is New Zealand government business to your organisation?

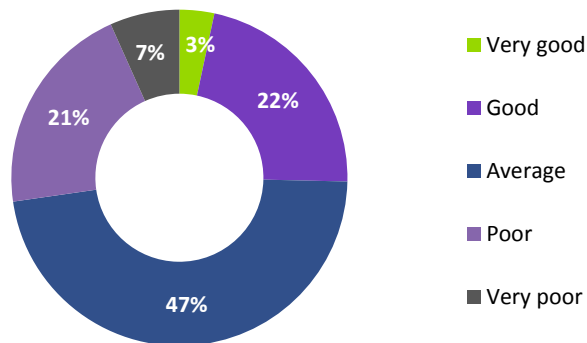


# Quality of government procurement activities

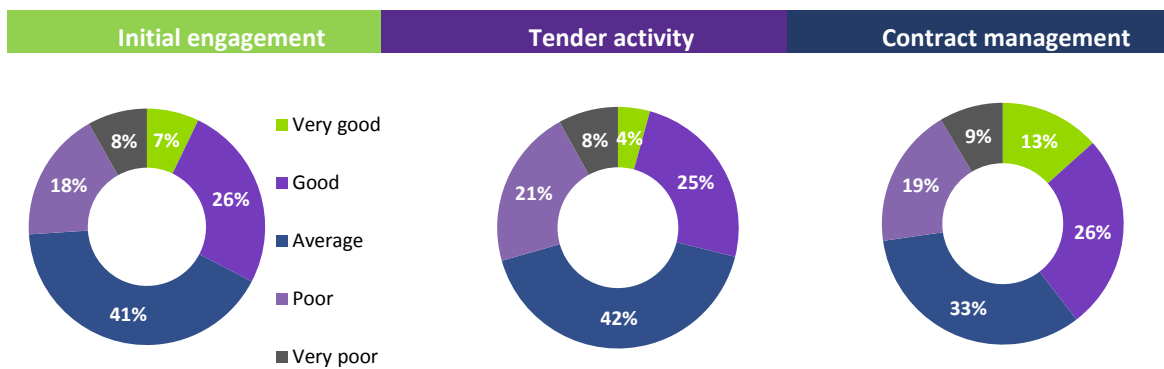
## Initial engagement, tender activity, and contract management

11. Providers were asked to rate the overall quality of government procurement activity. Approximately 25% of respondents positively rated the overall quality of government procurement activity while 47% rated it as average and 28% as poor or very poor.

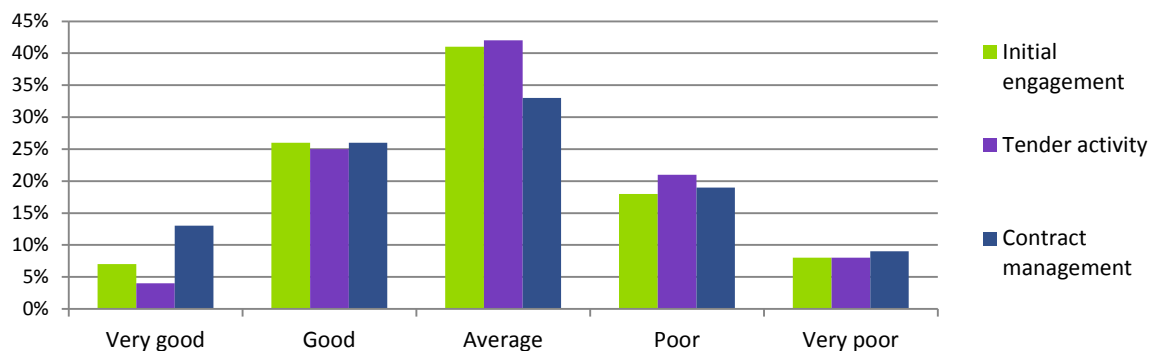
11. Overall, how would you rate the quality of government procurement activity?



12. When asked to rate three specific procurement activities around a third of respondents rated them positively: tender activity (29%), initial engagement (33%), and contract management (39%).



12. Overall, how would you rate the quality of the following government procurement activities?



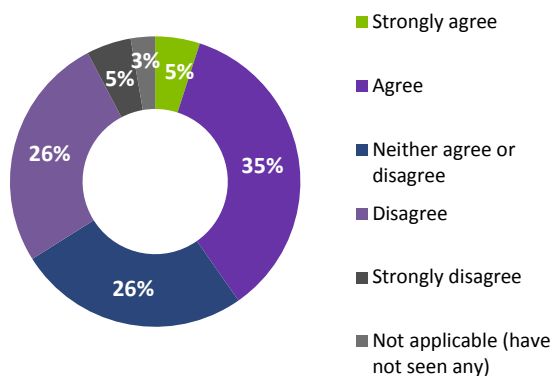
## Quality of tender activities

### Clarity, sufficiency of information, time to response, and feedback

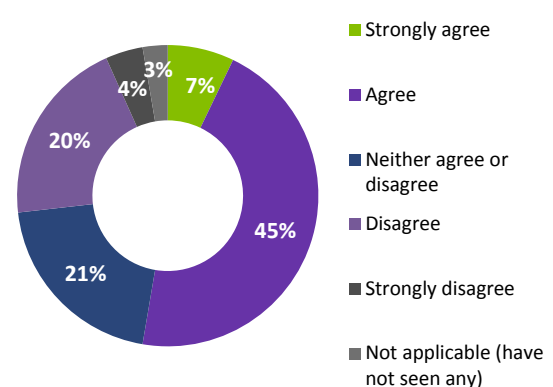
13. **Tender clarity:** Approximately 40% of respondents agreed the information was easy to understand in tender documents. However, 31% disagreed.
14. **Sufficiency of information:** Half (52%) of respondents agreed the information provided was sufficient while 24% disagreed.
15. **Time provided to respond to government tenders:** Just over a quarter (26%) positively rated the time to respond during the procurement process while 43% negatively rated the amount of time provided.
16. **Feedback after a tender response:** Over a third (41%) of respondents said they receive a follow-up which is reasonably helpful after they bid for a tender by government agencies. Only 7% of respondents said they receive a full and helpful follow-up while 22% said no follow-up was provided following their bid.

On average, how would you rate the following aspects of the tender documents provided by government agencies?

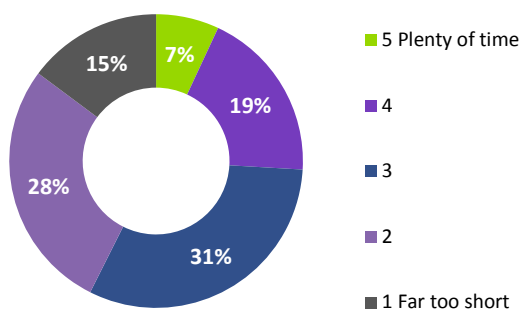
13. The information is easy to understand



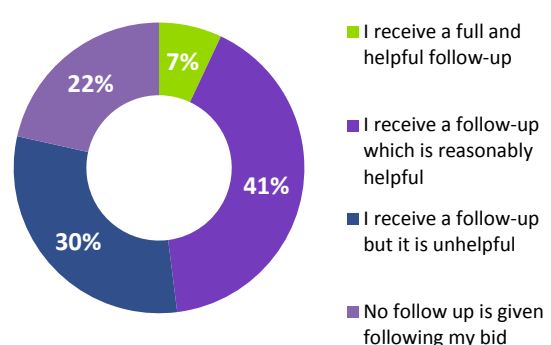
14. They give all the information I need



15. Do you generally have enough time to respond during the procurement process?



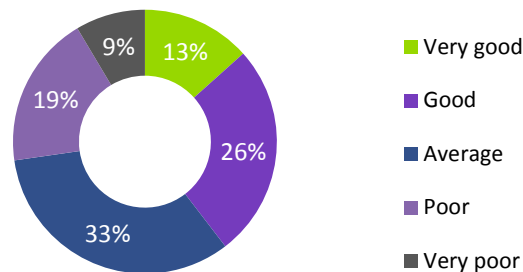
16. After you bid for a tender what follow-up (eg debrief) is generally provided by government agencies?



## Quality of contract management activities

### Overall quality of contract management

17. Over a quarter (39%) of respondents positively rated the overall quality of contract management while 33% said it was average and 28% said it was poor or very poor.



18. Providers were asked to rate how satisfied they were with various aspects of their contract manager's performance. Approximately 60% of respondents positively rated the level of professionalism and knowledge followed by over half of respondents (56%) positively rating the level of clear communication. Further results can be found in **Appendix 1**.

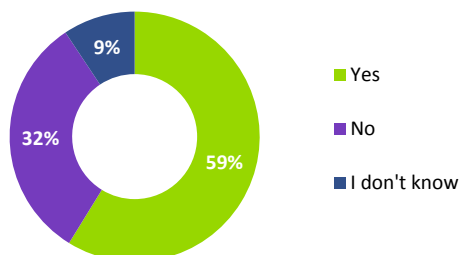
**Table 3: Positive ratings for contract manager's performance**

Area of contract manager performance	Positive rating
Level of professionalism and knowledge	60%
Clear communication	56%
Timing of transactions	46%
Quality of decision making	44%
Openness to innovation or new ideas	35%
Incentivising performance	20%

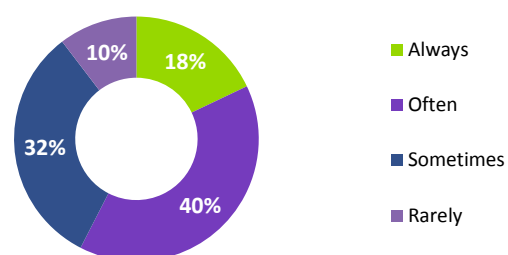
### Contract review meetings

19. Over half (59%) of respondents reported they had regular contract review meetings with the agencies they worked with.
20. Over half (58%) of respondents said contract review meetings were always (18%) and often useful (40%).

19. Do the government agencies you contract with hold regular review meetings?



20. How often are contract review meetings useful for your organisation?

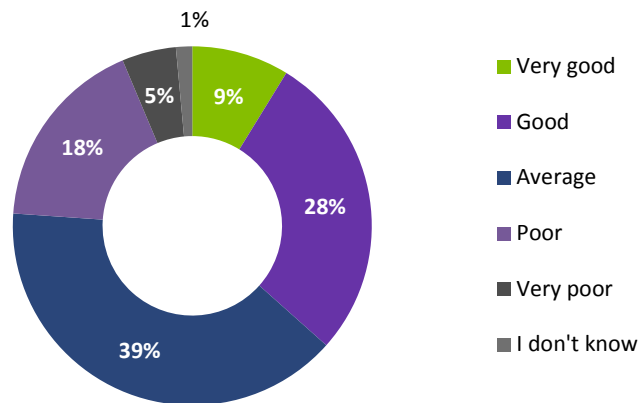


'Never' was an option but was not selected by any respondents

## Relationship management

21. Approximately 37% of respondents positively rated their relationship with government agencies while 39% rated it as average and 23% rated it as poor or very poor.

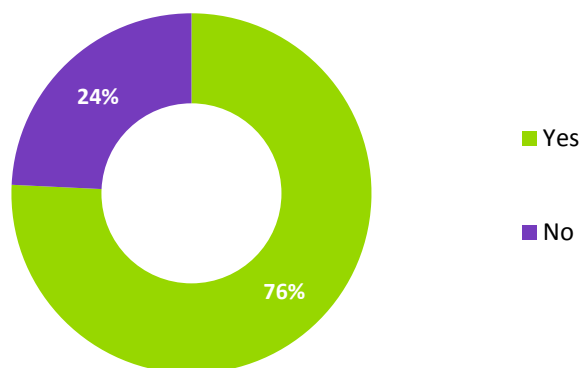
21. How would you rate how government agencies manage their supplier relationships?



## Success factors and barriers when bidding for government contracts

### Confidence

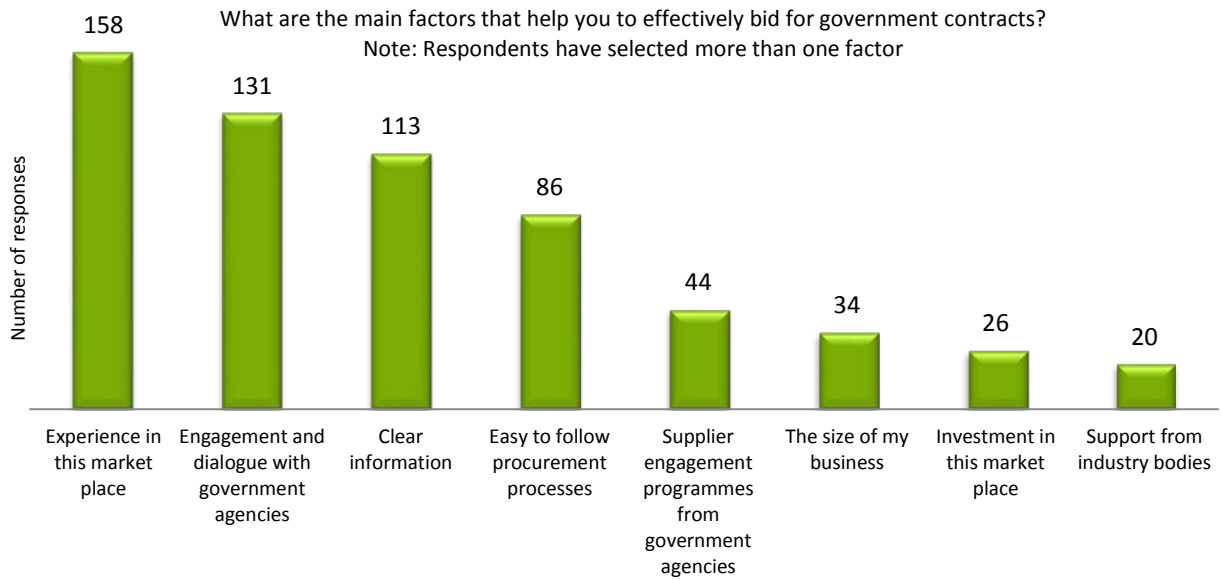
22. When asked if they can effectively bid for government contracts, 76% of respondents felt they could effectively bid.



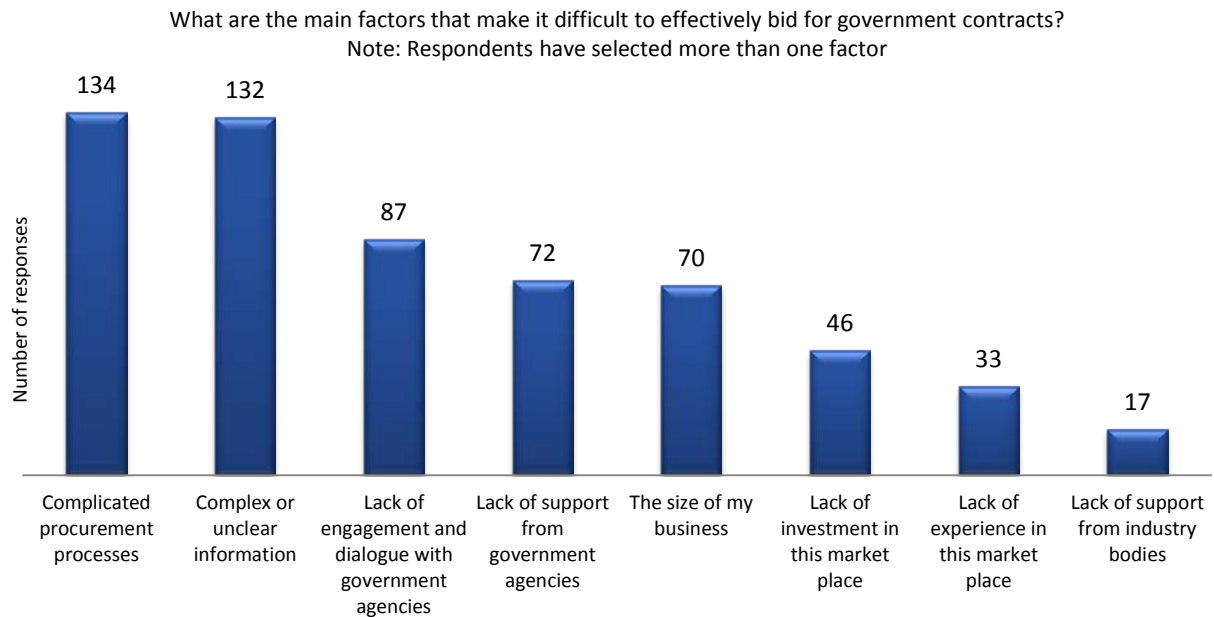
### Success factors and barriers

23. Respondents were asked to select from a list of eight factors those that helped them to bid effectively for government contracts the most, and which factors reduced bid effectiveness the most.

## Success factors



## Barriers



# Bidding for government contracts

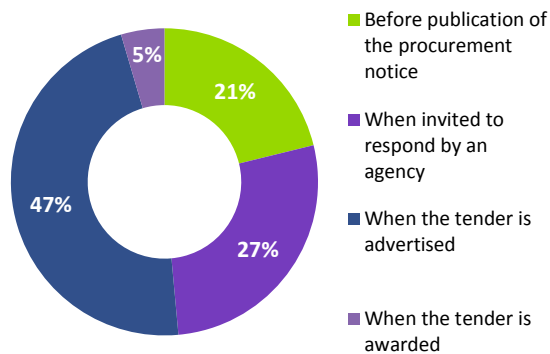
## Knowing about contract opportunities

24. Just under half (47%) of respondents first heard about a government contract opportunity when it was advertised, while 27% first heard about it when invited to respond by an agency and 21% first heard about it before publication of the notice.

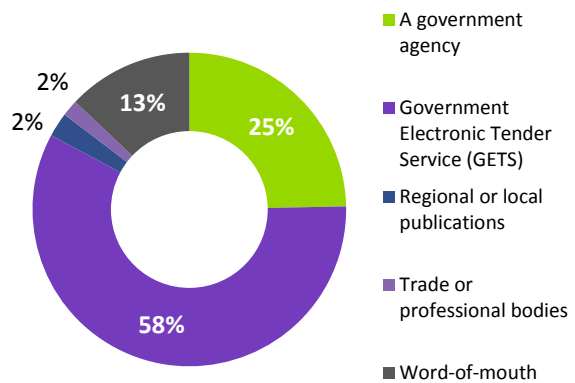


25. Over half (58%) of respondents said their main source of information about government contracts was through the Government Electronic Tender Services (GETS), while 25% said through a government agency.
26. When asked how openly government officials discussed their requirements with providers when they asked for more information about a contract opportunity, 35% responded positively (saying openly) while 31% responded negatively (saying not openly).

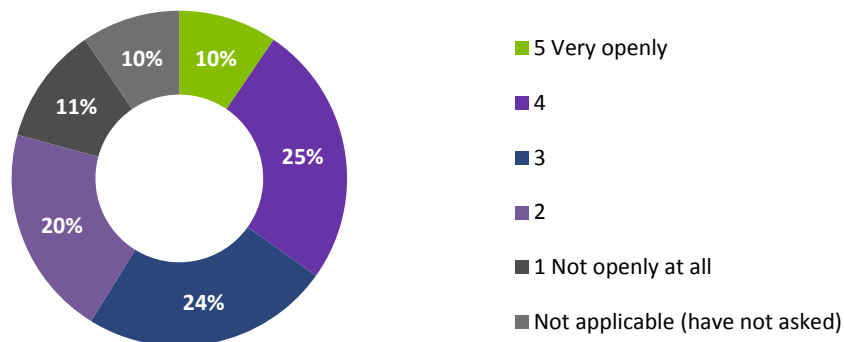
24. Generally, when do you first hear about a government contract opportunity?



25. What is your main source of information about government contracts?



26. How openly have government officials discussed their requirements when you have asked for more information about a contract opportunity?



## Government asking for improvements

27. Providers were asked how often the government agency or agencies asked them to do a range of things such as improve their products and services etc.

**Table 4: Government asking for improvements**

Area	Sometimes	Often	Always
Improve management practices and reporting	23%	10%	5%
Improve products and services	21%	10%	4%
Improve health and safety management practices and reporting	19%	9%	3%
Use digital technology more often (ICT, online processes)	17%	13%	3%
Increase staff training and development	14%	7%	2%
Use product standards more often	12%	4%	1%
Use other technologies (eg new/improved machines)	11%	3%	1%

## Government adopting providers' ideas

28. Providers were asked how often their ideas to develop the following areas adopted by the government agency or agencies.

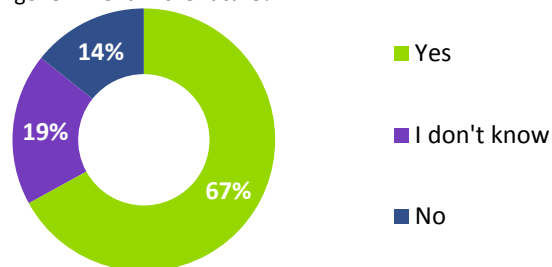
**Table 5: Government adopting providers' ideas**

Area	Sometimes	Often	Always
Improve management practices and reporting	16%	9%	1%
Improve products and services	20%	9%	1%
Improve health and safety management practices and reporting	9%	3%	1%
Use digital technology more often (ICT, online processes)	10%	3%	0%
Increase staff training and development	14%	5%	1%
Use product standards more often	11%	1%	1%
Use other technologies (eg new/improved machines)	8%	1%	1%

## Sharing innovative ideas with government

29. Approximately 67% of respondents said they would be comfortable sharing innovative ideas with government in the future. Fourteen percent said they were not and 19% did not know.

29. Would you be comfortable sharing innovative ideas with the New Zealand government in the future?



# Awareness of advisory services/resources and complaints processes

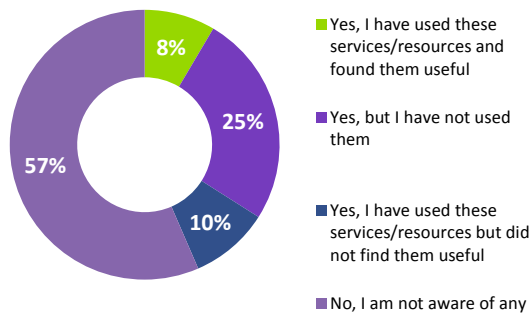
## Advisory services/resources

30. Over half (57%) of respondents were not aware of any advisory services or supplier/provider resources offered by government agencies. From the remaining 43% who knew about them:
- a quarter (25%) had not used them
  - 10% had used them but not found them useful, and
  - only 8% had used them and found them useful.

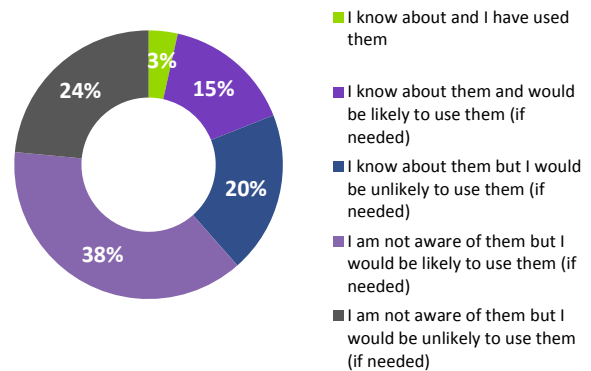
## Complaints processes

31. Over half (62%) of respondents did not know about the availability of complaints processes but 38% said that if they knew about them they would be likely to use them (if needed). From the remaining 38% who said they knew about them:
- 20% would be unlikely to use them (if needed)
  - 15% would be likely to use them, and
  - only 3% had used them.

30. Are you aware of any advisory services or supplier resources offered by New Zealand government agencies?



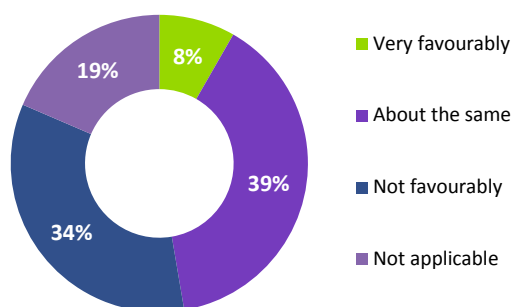
31. How much do you know about the processes available to complain about a procurement activity?



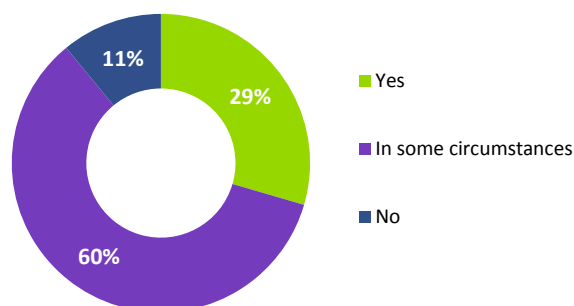
## Government as a buyer

32. Providers were asked to rate how government agencies compare with their other customers. Just over a third 39% said about the same, 8% very favourably and 34% said not favourably.
33. Respondents were also asked whether they would recommend government as a customer to other businesses. Over half (60%) said they would in some circumstances while 29% said yes, and 11% said no.

32. How well does doing business with NZ government agencies compare with doing business with your other customers?



33. Would you recommend government as a customer to other businesses?



## Comments from providers: Key themes

### Checklist for Government Agencies

Comments provided by providers have been summarised into key themes and developed into a checklist for government agencies.

#### Relationships:

- Listen
- Be more: transparent, open, honest, inclusive, respectful, up-front, collaborative, candid and personable and less stuffy and procedural
- Have more: regular engagement, face to face discussions, consistent, long-term, meaningful relationships
- Use new commissioning and partnership approaches and move away from transactional approaches
- Treat negotiation as a two-way conversation.

#### Information:

- Easy to access information
- More information about how to apply and the process to apply for contracts
- Clear instructions about the tender process
- Easy to understand, simple language
- Correct information provided on time
- More targeted/relevant information
- Clear guidelines around contract expectations and the results.

#### Innovation:

- Listen
- Be: open to ideas, open to alternative offers and innovation in general, greater innovation and flexibility, more responsive to innovative solutions
- Set parameters more loosely to encourage innovation
- Allow for more innovative approaches within the tender processes and contracting.

### **Procurement/tender approaches and process**

- Develop an evidence-based decision-making framework that informs what is procured, when and where, and consistently apply it when procuring services
- Use simple, efficient, transparent, fair processes
- Communicate clearly what approach/process is being used, for what kind of activity or service, and why
- Match the approach, process, and cost of the tender process so that it is proportional to the size, nature, and amount of the contract
- Use an appropriate procurement approach with adequate timelines when collaboration between social services is needed to achieve government goals
- Ensure timely notification of procurement decisions so there is adequate time to set up the service or transition the service from one provider to another
- Plan the process well beforehand
- Have tender documents peer reviewed and finalise them prior to the commencing the process.
- Don't change the process or timelines half-way through
- Pose the problem and ask vendors to propose a solution which would lead to increased innovation.
- Avoid long, onerous written requirements, duplication of questions/information, and keep to the most important questions
- Make it easier for smaller organisations to participate
- Answer questions on GETS more thoroughly
- Don't pre-empt the decision.

### **Funding:**

- Longer contracts
- Adequate funding
- Take into account the set-up costs for new services
- Pay realistic rates/prices
- Pay on time
- Share the risk if funding is tied to volumes

### **Contract managers should:**

- Possess the expertise and skills including business acumen
- Understand the service
- Meet face-to-face
- Be open and able to negotiate aspects of the contract
- Adopt a partnership approach and work together to find solutions to problems
- Provide positive feedback
- Keep the information flowing with regular communication
- Ensure payments are made on time
- Ensure outcome measures and reporting is meaningful and relevant
- Communicate how contract reporting information will be used and use it accordingly
- Provide a good hand-over when a new contract manager comes on-board.

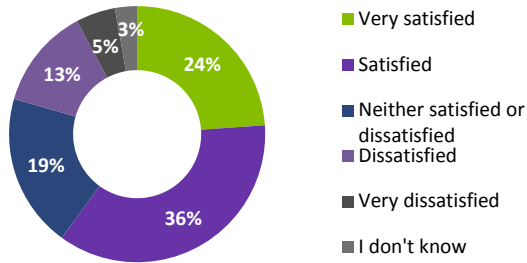
### **Across government**

- Invest in supervision and role modelling of the core knowledge, skills and attitudes required to manage large contracts.
- Better government resourcing of contract management
- Join-up contracts with various agencies or at least the same compliance and reporting for each contract.

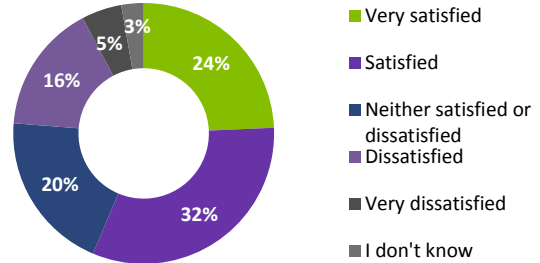
# Appendix 1: Further detailed results

## Quality of contract management

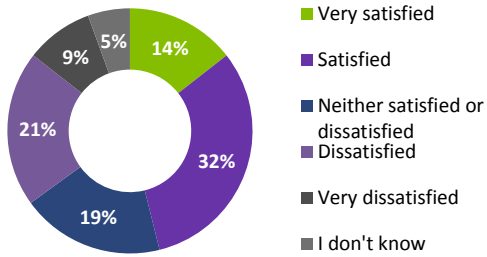
The level of professionalism and knowledge



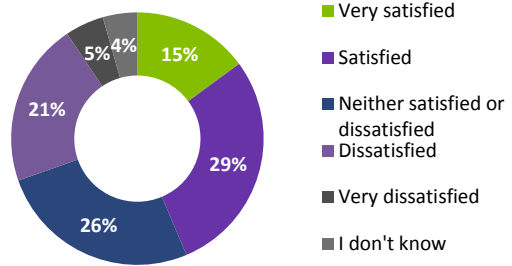
Clear communication



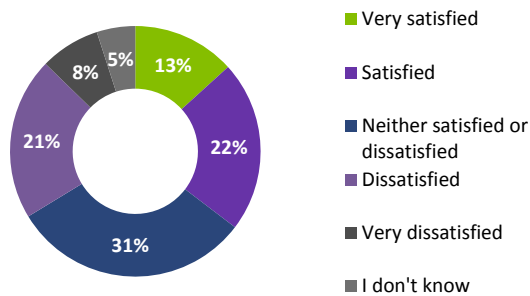
The timing of transactions



The quality of decision making



Openness to innovation or new ideas



Incentivising performance

