

VALUE FOR MONEY STARTS WITH CLEVER BUYING

...or

Rebuilding the Dream – with cheaper, faster and better purchasing decisions

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Abstract

With every infrastructure dollar stretched to the limit, clients are taking a long, hard look at their procurement processes. While debate rages around ideal delivery mechanisms and complex contractual structures, some organisations are focusing on the basics.

- How well do our procurement processes identify and select the best value for money options?
- Is the process of seeking and evaluating tenders efficient?
- What can we learn from other assessment and evaluation models in the public sector?

This paper explores assessment methods that have seldom, if ever, been applied to infrastructure tenders. It describes tools that substantially reduce evaluation time and costs; better align purchasing decisions to client priorities; and save significant time and money for tender respondents.

Client organisations who want to boost the value for money delivered through their purchasing processes will be introduced to a toolbox of practical solutions that have been proven in a NZ Local Authority environment.

Consultants and Contractors who want to stay ahead of their game in tendering will gain insight into future directions that will help them to make the most of this emerging era in procurement.

Key Words

Tender evaluation, value for money, procurement decisions, tender evaluator training, cost-effective tenders assessment.



This paper has been written and formatted using some of the principles that we believe would make tender evaluations faster, more efficient, and more cost-effective.

It aims to provide clear, well-structured, unambiguous information that others can readily use and apply to their own situations.

It also highlights key messages and conclusions at various points in the discussion.

Introduction

In the wake of the Global Financial Crisis, like most other countries, New Zealand local and central government was faced with intense focus and demand for accountability for spending our limited public funds.

When further disaster struck in the form of the Christchurch earthquakes, pressure on public organisations to make best use of limited funding escalated to unprecedented levels.

Addressing these issues has seen heavy scrutiny of capital budgets with some rationalisation resulting. At the same time, we have seen strong emphasis on minimising whole-of-life costs of maintaining public assets.

While there is no doubt that these measures are useful, scratching the surface of public procurement reveals that more fundamental changes could drive savings.

With more than \$6 billion to be invested in public infrastructure over the coming year, there is a clear need for robust, cost-effective, consistent and fair procurement processes that give confidence that best value for money will be achieved.

Our own experience made us question how well New Zealand delivers to this goal. The research that underpins this paper seeks to:

1. Describe the evolution and current environment of tender evaluation for public projects;
2. Investigate the quality and consistency evident today in tendering tools and processes;
3. Gather feedback and recommendations from tender evaluators and respondents on the constraints they experience in preparing, evaluating and responding to tenders;
4. Explore how best practice in assessment in the education sector can be effectively applied to procurement; and
5. Make recommendations for reforms in procurement tools and processes that will deliver better value for the public money invested.

In preparing this paper, we consulted with a large number of tender evaluators for public projects.

We reviewed hundreds of RFT documents produced for projects in the public sector; and we worked with respondents to tenders for public projects in infrastructure, as well as other sectors (such as health, education, social services, and security).

We also looked to other sectors where assessment and evaluation has been developed and refined to a greater degree than we see in public procurement. Within the education sector (particularly at secondary and tertiary levels), assessment of written material to determine capability and rank responses is a core activity.

The need for consistent, fair, and cost-effective evaluation processes in that sector has driven development of a range of tools and practices which are able to be replicated in tendering.

The latter part of this paper describes ways that's the most relevant of these tools can be applied to deliver faster, fairer, and more consistent tender evaluation processes. The goal is to reduce the costs of both responding to and evaluating tenders.

Some of these methods have been trialled by Councils, resulting in substantially reduced evaluation time. There is good evidence that they also deliver greater confidence that Value for Money will be achieved by using these techniques to select successful bidders.

Some Councils and Government organisations are already developing these and similar practices to improve the quality and efficiency of procurement. However, there are a large number of government organisations that indiscriminately use the tools and processes that they have used for many decades, in less demanding environments.

There is no better time than the present to explore improved procurement methods, share insights learned, and create better Value for Money in public procurement.

Background to Procurement Practice in New Zealand

Traditional Tendering Models

Unlike other western countries, New Zealand is lucky to have a well-established benchmark



for procurement.

Transit NZ's *Competitive Pricing Procedures*, captured within Transfund's *Project Evaluation Manual* which was originally developed in 1997, were recently refined in the New Zealand Transport Agency (NZTA)'s current *Procurement Manual*.

This provides an excellent knowledge bank on effective delivery of best practice procurement - mainly through tendering.

This model has become the 'bible' of procurement managers in Councils and other public bodies; and many aspects are applied well beyond the NZTA-funded transport projects that they were originally designed for.

This comprehensive guide gave rise to a model for Requests for Tender which has been widely used in Council Procurement across New Zealand in the past 15 years.

The model for evaluation covers a number of sensible headings (Relevant Experience, Track Record, Resources, Relevant Skills, Methodology, Financial Viability, etc.) which respondents have become very familiar with.

The general format of Requests for Tender under those guidelines has followed a standard and predictable structure and has been used effectively across a wide range of products and services sourced through public tenders.

This has made the process of preparing Requests for Tender (RFTs) relatively easy. Councils tell us that this preparation work is generally delegated to a staff member who often has little further involvement in the evaluation process or the project/ contract itself.

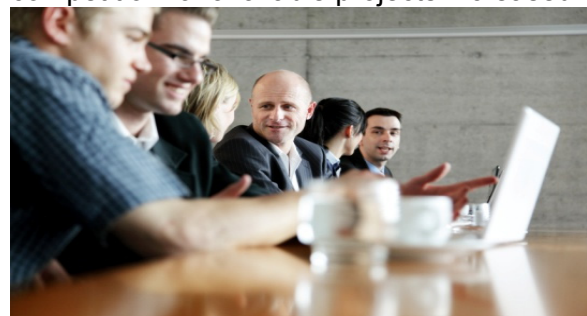
For respondents, the homogeneous approach in RFTs has also been useful, at least until fairly recently. A 'standard' set of attributes could be prepared and submitted with minor modifications to replace the client and project names, and a few other details.

Since the tendered price always seemed to make the most difference, senior management time and effort was focused on estimating costs on the job, rather than developing and explaining unique methodologies or resources; or explaining the strengths of the people who were being put forward to carry out the works.

All this worked fine in the 80s and the 90s – in fact, in many sectors, until the last 2-3 years. What changed?

Factors driving change in Tender Assessments

Over the past 20 years, the pool of capable contractors and consultants in New Zealand grew steadily – both through organic growth and through an influx of companies (notably from Australia) who wanted to make their mark on New Zealand infrastructure. The competition for available projects increased.



In the early 2000s, new contractual forms put more emphasis on selecting teams based on how well they would work together, rather than the tendered price.

At the same time, some disasters involving a few infamous projects forced Councils and public organisations to think outside the square on procurement. How often was the 'cheapest price' mentality delivering a false economy?

Saving a few thousand dollars on the contract price could now make it more likely that clients were hit with public relations disasters, extended programmes, massive disruption, or sub-standard workmanship that required re-work and delays.

In the first few years of this millennium, to address some of these issues and create more cost-effective working environments, new contractual models were explored. Design and Construct contracts, Collaborative Working Arrangements, Alliances, and Early Contractor Involvement models, among others, were trialled, with promising results.

Tender evaluation under these forms of contract required a re-think of how to stage procurement processes, the place and importance of price; and the value of non-price attributes as an indication of how well the bidders would perform.

Interactive meetings gained favour as a means to gauge the effectiveness of the relationships between participants in multi-party bids. These had seldom previously been used in tender evaluation; and they posed a new set of questions on how to evaluate live presentations (alongside written tender responses) fairly and consistently, and how useful those 'performances' were as a measure of effective future working relationships.

At that time, Local Government Councillors were increasingly under the spotlight when decisions were made on tenders, and did not always agree with the evaluation results that were submitted at Council meetings for their approval. Political pressure was sometimes challenging in the context of public spending, especially on major projects.

The years between 2005 and the start of the GFC in 2008 were already seeing a wider range of evaluation methods, models and tools emerging. As a result, the variation -

both in tender responses and in approaches to evaluation – grew considerably.

What about Evaluator Training?

It is interesting to also review the state and evolution of tender evaluator training and certification over the past decade. The introduction of the National Certificate in Civil Engineering – Asset Management (Competitive Pricing Procedures), focusing on Tender Evaluation using the NZTA model, was a sound step towards providing assurance that those who were responsible for recommendations on public spending had appropriate skills to equip them to make wise choices.

However, although a detailed manual was produced by NZTA and kept current; and an NZQA assessment framework was put in place based on evidence that certain Unit Standards had been achieved, no approved training programme has been developed to teach and practice the skills required for Best Practice tender evaluation for NZTA projects.



Evidence of completion of tender evaluations is a useful means to demonstrate competence in these areas..

However, it does not always mean that those completing evaluations followed best practice processes or indeed, evaluated those tenders to deliver the best value for money through their recommendations.

The current pool of some 220 Qualified Tender Evaluators who have gained the National Certificate have learned through actual experience under the supervision of other qualified evaluators, who we know have a variety of different and personal techniques which they use in procurement practice.

Assessment is administered by Infracrain, whose assessors have the daunting task of reviewing a range of evidence that tenders have been evaluated. The challenge is that there is little ability for assessors to determine whether evaluation was effective, cost-efficient, aligned to client needs; or fair.

The current revised qualification (which is yet to be ratified by NZQA) has sensible components, but leaves the requirement for preparing RFTs that comply with the NZTA's manual as an *optional* choice.

Without training courses available to address these areas, and with the options for learning restricted to studying the manual and learning by experience (for which there are limited opportunities), many of those enrolled in the qualification have found it difficult and time-consuming to complete.

Review of Requests for Tender

All of these factors have led to greater variation in the types of evaluation used to procure goods and services within the public sector.

There are also increasing instances of clear mismatches between the information requested in Requests for Tender; and the specific, project-based priorities of evaluators and public organisations who are seeking suppliers.

For example, a typical recent tender requested detailed attributes, including full CVs of nominated staff; full quality plans; an environmental plan; detailed programme of works; detailed methodology; relevant and experience each spanning five similar projects; a comprehensive health and safety questionnaire and a sustainability questionnaire.

However, the evaluation method to be used was Lowest Price Conforming.

For that bid, all tenderers had to prepare extensive detailed and voluminous documentation to meet the requirements of the RFT; but the decision was essentially a price-based one.

Only the attributes of the lowest price bidder would be reviewed; and that review was only to determine whether the bid conformed – no evaluation of the *quality* of those responses would be included in the decision to procure.

The time expended by all parties responding to RFTs like this is huge; yet much of that time is directed towards areas that will not be used in decision-making.



Many tenders require large amounts of paperwork to be completed, but the decision is made primarily on the price.

Other similar examples have seen the indiscriminate use of generic questions to cover the standard attribute classes, despite the fact that all bidders will provide similar responses in some areas.

For example, descriptions of resources are uniformly required – even though all bidders have good access to their own or leased equipment for basic contracting work; and only a few contracts require or would benefit from specialised equipment that is only available to some tenderers.

The result is that the outputs from tender evaluations that indiscriminately use generic attribute templates do not effectively select the best bidder, based on the priorities for good delivery of the project. In short, rubbish in – rubbish out.

If the RFT doesn't ask specific questions that are aimed to differentiate bidders on what's important for the project; and if it uses an evaluation method that doesn't align to the questions in the RFT, then the quality of the output decision will surely be compromised.

Scoring Mechanisms

Another issue emerges when we take a careful look at the scoring mechanisms that are used by evaluators.

The NZTA Procurement Manual provides a useful guide to attribute scoring:

90, 95, 100	Exceptional compliance
75, 80, 85	Fully covered in all material aspects
60, 65, 70	Adequately covered
50, 55	Adequate, some deficiencies no adverse effect
40, 45	Barely adequate, needs considerable improvement
< 35	Total non-compliance/ inability

While this is helpful to guide evaluators in the standards they should score to, a closer look shows there remains considerable subjectivity in assessing to these parameters.

Our interviews with NZTA evaluators revealed huge frustration with the time taken to moderate tender scores.

In many tender evaluations, debate rages over what *really* constitutes 'exceptional compliance'; and how much weight should be placed on individual evaluators' experience or the reputations of contractors outside the evaluation process.

As a result, it can be extremely difficult for a lead evaluator to bring together the individual scores of evaluators to an agreed score for each attribute and each contractor.

This, we are told, can be a very lengthy and sometimes confrontational process, resulting in increased time and costs for the client.

Where generic RFT templates are used with a standard set of attributes/ questions, more or less evenly weighted, evaluators are further pushed into using their own experience, preferences, or biases to guide their scoring.

We suspect that this is a cause of the variation in tender marking that tender respondents report.

Their scores for almost identical attributes submitted for similar projects in different regions may place them as a clear winner in one area; but at the bottom of the heap in another. In general, there is no obvious justification for the disparity.

This does not build faith in the tender evaluation process.



Evaluations that rely heavily on subjective judgments will always attract more variation and debate to rationalise individual scores to an agreed decision from the Tender Evaluation Team.

Recommendations from the Tendering Industry

Feedback from Tender Respondents

As the core of our business is in responding to tenders, our team at Plan A has extensive opportunities to seek feedback from tender respondents who are actively engaged in responding to tenders.

We have sought recommendations from this sector in both formal and informal contexts; and found common concerns are brought forward, over and over again. The main issues identified by respondents are:

1. The paperwork involved in responding to Requests for Tender is often excessive. Many RFTs require respondents to prepare a huge amount of information, not all of which appears relevant to the contract in question.
2. Questions in RFTs can be confused or contradictory; with instructions in part of the RFT document being contradictory or inconsistent with other instructions elsewhere. It is often difficult for bidders to understand exactly what they need to do to provide a conforming response.
3. Evaluation is often not transparent. The rationale for scoring is often unclear, and the decisions made do not always seem to take into account relevant information about the tenderers. (An example of this was an incumbent of 10 years on a contract, providing detailed conforming explanation of all the work completed over those years, being scored lowest of all bidders for Relevant Experience).
4. Debriefs with evaluators may not be available. When debriefs are invited, bidders are afraid to bring up concerns with evaluation for fear of future discrimination.
5. Evaluation is not consistent. As noted above, different Tender Evaluation Teams (TETs) give widely different scores to the same attributes on similar projects, with no clear reason for the disparity.
6. Evaluators' own experience of, or existing relationships with contractors (positive or negative) is often seen to be used unfairly in the decision-making process.

While some of these factors are inevitable in New Zealand's relatively small and highly competitive industry environment, we believe many of these concerns could be avoided through better formulation of RFTs and more consistent, transparent processes

Feedback from Tender Evaluators

In 2008, the Transport Procurement division of Auckland City engaged Plan A to undertake an investigation to provide core information to improve its tender processes.

As a specialist organisation that engages in preparing tenders on behalf of others, Plan A was seen to have the independence needed to seek impartial feedback from both respondents and evaluators; and bring that together to form some recommendations for improvements.

That project provided a base of insightful information on the pluses and minuses of Auckland City's tendering tools at that time. It resulted in a number of changes to the format and some aspects of evaluation of tenders within that division.

We were again engaged on a follow-up project for Auckland City in 2010; to review the effectiveness of the 2008 reforms, following feedback to Auckland City by some respondent groups. The workshop with evaluators that we conducted added to our understanding of the issues faced by tender evaluators.



Workshops for Tender Evaluators held throughout New Zealand gave us valuable insights into the issues that constraint efficiency in tender evaluation.

We followed these projects up by seeking the insights of a number of experienced evaluators.

We asked them what their views on the good points and bad points of existing tendering practice were; to what extent they considered that tender evaluation in the sectors they served was delivering value for money; and their recommendations for improvements.

We had the opportunity in 2011 to seek further feedback, when invited to participate in tender evaluator workshops conducted by NZTA for more than 200 of its certified evaluator workshops held throughout New Zealand. T

his provided an outstanding opportunity to communicate the issues that respondents had identified to the tender evaluation professional community; and to listen to the recommendations of experienced tender evaluators.

Consistent with the feedback provided by respondents, we found that certain themes arose consistently and repetitively across these tender evaluators. The main themes were:

1. It is frustrating and time-consuming when respondents do not directly answer the questions. Searching for information that is poorly structured or does not follow instructions in the RFT is exasperating.
2. Wading through evaluation of generic information that is not directly relevant to the contract in hand, is tedious and generally pointless. The paperwork submitted is often excessive, with a large proportion not obviously relevant to the job in hand.
3. There are not enough experienced and/ or qualified evaluators available in New Zealand. As a result, evaluation teams often include only one lead evaluator who is qualified; who then has the job of training the others in (his perception of) Best Practice evaluation. This reduces the efficiency of the tender evaluation process.
4. Disparate and/ or inexperienced tender evaluators tend to score responses in a less focused/ targeted/ disciplined way. This makes consensus more difficult to achieve; and adds time and cost into the evaluation process.

5. Evaluators are frequently not involved in devising Requests for Tender. Therefore, they do not always agree that the questions used or their selected weightings are a good fit to the needs of the contract. The scores, when fed into the evaluation spreadsheet, do not always reflect the ideal decision identified by the evaluators.

For the same reasons, when it comes to ratifying the recommendations of tender evaluation teams in Council budget allocation meetings, Councillors do not always agree with evaluation decisions (especially when these involve delivery of higher 'quality' at greater public cost).

Putting this feedback together, we were struck by the commonality between the recommendations from both sides:

1. Time (and therefore money) is wasted by both bidders and evaluators, through asking and responding to questions that do not directly assess the competence of the bidder in relation to the risks / Critical Success Factors for the contract. Those setting RFTs need to have solid knowledge of the project as well as their clients' priorities; and apply that intelligently to the selection of questions and their weightings in the evaluation.
2. Better definition of requirements of respondents; and clearer parameters for evaluation, would improve the efficiency of both responding to, and scoring tenders
3. Clients, evaluators, contractors, and the general public would have more confidence in the value for money achieved in public sector procurement, if the processes of developing RFTs and evaluating responses were more consistent and transparent.

The tools that were developed in 2008 for Auckland City; and refined in 2010 – went part way towards addressing those issues. Although there were inevitably some issues in the original toolbox that needed to be refined, the results were extremely positive. We describe those later in this paper.

Before then, however, we will explore some interesting parallels in the Education Sector – whose reforms over the past 15-20 years to make assessment and evaluation fairer, more consistent, more transparent, and more relevant – have resulted in major changes.

We believe that some extremely useful lessons can be learned from that sector that could address the issues in public procurement that we have identified above.

Key issues identified by both respondents and evaluators focused on:

- Time wasted in responding to and evaluating irrelevant material
- Subjective judgments, difficult to reconcile across evaluation teams
- Inconsistent application of evaluation standards
- Lack of transparency/ fairness

Lessons learned from the Education Sector

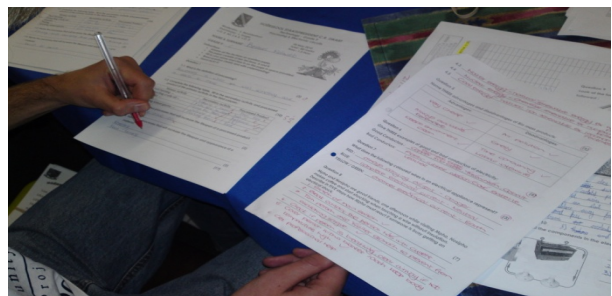
Everyone is an expert in education. After all, we all have experienced an education (good or bad!) Those of us who went through the New Zealand education system before the 1990s will recognise some of the frustrations that impacted the sector at the time:

- Students (and their parents) were concerned that exams written once a year were not a good measure of their overall capability. Academic-type assessments were used exclusively; even in vocational contexts where they were clearly not appropriate. Less academic students were not recognised and often dropped out with no qualifications.
- There was a common perception that teachers could unfairly influence internal assessments (such as Sixth Form Certificate). This resulted in a call for greater transparency and accountability from those evaluating student capability.
- Marking exams was a huge (and expensive) industry, occupying some academics for months of the year. Results were often not available for months after the exams. These delays were a great inconvenience as results were not available to be used to determine entry or otherwise into further academic study.

- Public lack of confidence in the fairness of the system resulted in significant demand for re-counts. Re-marking was not allowed, and since students did not receive their papers back, there was little or no transparency in the evaluation system.

The perceptions of unfairness, wasted efforts, irrelevant forms of assessment, and lack of transparency bear an uncanny resemblance to the criticisms that we uncovered of tender evaluations today.

The positive upshot, however, is that many of the reforms made within the education sector can be applied, with some relatively minor tweaks, to tendering.



Scoring candidate capability in academic exams has a lot of similarities to evaluating tenders:

Each needs to be thorough, fair, consistent, transparent and cost-efficient.

There is much that tender evaluation can learn from best practice reforms that have been applied to education assessments.

Let's focus on the similarities. It is vital in both education and public procurement that decisions on the capability of the respondent are fair, transparent, and defensible.

Both these sectors are under huge pressure to operate cost-efficiently; and they must deliver their decisions in a manner that gives the public confidence.

The next section provides a summary description of tools that have been developed within education and applied within pilot projects to RFT development and tender evaluation.

A Toolbox for Procurement Specialists

This section describes some essential initiatives that addressed problems in the education system; and can be applied to tenders. We explore how they were used to address constraints in assessment in education; and how these recommendations can be applied to resolve the problems identified in tendering today.

- 1. Invest heavily in developing sound tools for decision-making.** In education, this was about developing the National Qualifications Framework (which was almost as big as Ben Hur!).

In tendering, the task is not so difficult. It starts with putting some smarts into identifying the risks and critical success factors for a specific project. That information then informs and guides the ideal contractual arrangement, delivery method, supplier selection method, and ultimately, the questions that need to be asked and their weightings.

With this investment upfront, tenders will focus only on those factors that differentiate the bidders and thereby guide the decision on which should be the successful tenderer. Bidders will no longer have to read and prepare mountains of irrelevant paperwork; and evaluators will focus on those factors that really sort the sheep from the goats. The result is huge time savings on both sides, and better decisions to boot.

- 2. Provide simple (but properly designed) question-and-answer tools** for bidders to directly respond to. This forces clarity in what is being asked for; and eliminates uncertainty or inconsistency in the

instructions. It will, without doubt, substantially reduce the time taken for evaluators to find and score the responses (more about this later).

The question and answer approach has been consistently used in education, to standardise the format of responses and speed up the marking process.

However, there are a few essentials to this approach which are often not complied with. Without these, response templates lose their effectiveness:

- **NEVER** use EXCEL for written responses. It doesn't allow formatting or insertion of graphics; doesn't spell-check; and doesn't enable bidders to maximise the readability of their response. EXCEL – using locked cells and self-calculating formulae - is ideal for standardising presentation of price schedules and eliminating calculation errors – use it only for that purpose.
- Get the balance right, between demanding short answer informational responses, and giving the respondent the opportunity to explain in more detail the benefits they will bring to the project.
- Make sure the person who puts the template together fully understands the expected format of the response. The template should be tested with typical response material before the RFT is released.

A typical example of a poorly designed response template is shown below:

Question	Response
Describe your Quality Assurance System in relation to this project.	

3. **Develop objective anchored scales** that provide evaluation teams with unbiased empirical information on which to base their scores for every attribute.

These were developed in the education sector to give clarity to assessors of unit standards, on what constitutes achievement (or merit) of certain

standards. In that context, they were a key tool to enable consistency in evaluation with little or no need for moderation or scaling of marks.

For example, a simple anchored scale for Relevant Skills might use the following descriptors:

Possible Scores	Relevant Skills
90, 95 or 100	Contract Manager > 15 years' experience in drainage projects; with demonstrable experience in demanding geotech conditions (subsidence) Environmental Manager – tertiary qualified in environmental management; more than 3 projects experience leading design of silt retention systems Stakeholder Manager – known to local iwi and community groups; has worked on more than three similar NZTA projects; demonstrated skills and experience in various contexts as community liaison and negotiator.
75,80 or 85	Contract Manager > 10 years' experience in drainage projects; with some experience/skill demonstrated in geotech conditions Environmental Manager – has completed formal environmental training; at least two projects leadership experience in relation to silt retention systems. Stakeholder Manager – has worked with iwi and community groups; roles on at least two other similar NZTA projects; demonstrated skills in community liaison.
60, 65 or 70	Contract Manager > 5 years' experience in road construction and/ or drainage projects; with some experience/ skill demonstrated in geotech conditions Environmental Manager – some training and project experience in relation to silt retention systems Stakeholder Manager – has worked with iwi and community groups; roles on at least one other similar project; experience under supervision in community liaison.
40,45,50 or 55	Contract Manager < 5 years' experience in road construction and/ or similar projects; no particular experience/ skill demonstrated in geotech conditions Environmental Manager – marginal demonstrated training and project experience in relation to environmental management Stakeholder Manager – some experience under supervision in community liaison.
Less than 35	Inadequate/ irrelevant experience or skills and/ or important information omitted

Consider whether you should make these available to bidders, to give them a clear understanding of the bar they need to get over to make top scores.

However, for various reasons, you may not wish to make your evaluation benchmarks quite so transparent!

A well-structured scale like this, for all the attributes, forces tight links between the risks and critical success factors identified at

the start of procurement; client priorities; and the scoring that will underpin and justify the ultimate decision.

Although the exercise takes some time to set up and should be customised for each important contract to be let, the time saved in evaluation and moderation will be considerable.

Most important, it will make evaluations simple, consistent, quick and fair.

4. **Train Your Evaluators.** They should follow a consistent, best practice process that will deliver the same results for the same evaluation, in Invercargill, Paekakariki, or Kaitaia – no matter which qualified evaluators are in the driving seat. The results are then defensible, repeatable, and solidly based.

The NZTA *Procurement Manual* provides an excellent 'bible' of information that every tender evaluator should know. However, as good an information source as that is, it is

not a training programme. There are initiatives under way which are being developed with input from NZTA, Infratrains, and others, that should meet the need for a recognised nation-wide training course for tender evaluators.

In the meantime, many Councils and Consultants have developed in-house courses that focus on standardising procurement procedures within those organisations.

So What? Evidence of the Benefits.

We started this project with a clear aim to improve value for money in tender evaluation. There are two obvious ways in which value can be improved in this process:

1. Through developing and implementing a process that uses less time and cost without compromising the quality of the outcomes; and
2. By improving the quality of the decisions made in the process of tender evaluation, so that tenders are awarded to those bidders who will deliver more for less public investment.

Benefits of Streamlined RFTs and Evaluation Processes

When Auckland City's Transport Procurement division started to use response templates in combination with structured objective scales for guiding evaluation scores, respondents initially gave mixed responses.

The templates originally used were overly restrictive in terms of the space allowed for answers; and their use in older versions of Word (MS Word 2003 and 2007) was difficult to manage.

Once the templates were revised and used in more recent versions of Word; and tender writers got used to how to manage them, the response was generally positive. Most bidders were happy with the reduction in paperwork, and the elimination of confusion

and inconsistency between differing sets of instructions within the same RFT.

A clear majority of tenderers reported that the change was beneficial overall, reducing time spent in formatting responses and second-guessing how to handle inconsistencies in RFT documents.

The screenshot shows a Lotus Forms Viewer window titled 'Electronic RFP (Unprotected-v11.xfd)'. The form is a structured evaluation template with the following sections:

- Identification (A):** Fields for Dept. Name, Region/Office, Location/Store, Last Name, First Name, Middle Initial, Social Insurance Number, and Check type of Action (Requisition, Employment, Transfer, Salary/Job Change, Separation, Other).
- Requisition (B):** Fields for Cost Center, Job Code, Job Title, Grade, Replacement for whom?, Salary Range (Min, Mid, Max), Budgeted Position? (Yes/No), Check one box in each column (Exempt, Non-Exempt, Full time, Part time, Regular, Temporary), Supervisor Signature, Date, C.O.O., C.F.O., V.P. Cgmt. Signature, Date, HRK Signature, Date.
- Personal / Employment (C):** Fields for Employee's Street Address, City, Province, Postal Code, NOTIFY IN CASE OF EMERGENCY (name, address, business and home phones, relationship to employee), Home Phone Number, Birth Date, Hire Date, Base Salary/Wage, Gender (Male/Female), Ethnicity (Non-Minority, Hispanic, Arrier, Indian, Black, Oriental, Handicap), Other Compensation, Source (Advertising, Resume, Job Fair, Empl. Referral, Agency), Walk-in.
- Transfer (D):** Fields for From (Cost Center, Department Name, Location / Store, Effective Date) and To (Cost Center, Department Name, Location / Store, Explain Reason in Comments Section Below).
- Salary or Job Change:** A section at the bottom for salary or job change details.

Pre-formatted forms help reduce respondents time and stress; and save significant time for evaluators .

However they are frequently structured poorly.

- NEVER use Excel for word responses
- Balance short informational answers with space for respondents to explain the benefits
- Always test them to make sure the form architecture is designed to fit the likely response size and shape.

The most dramatic benefits from Auckland City's pilot, however, were to evaluators.

It was not until nearly two years after the pilot that we learned that tender evaluations that used response templates and anchored scales to guide scoring took far, far less time than previous processes.

In fact, we were told that the time taken for the average evaluation had reduced to a third of previous levels!

When this reduction is applied across three or four evaluators and hundreds of tenders each year, the savings to Council must have been very significant.

The caveat here is, of course, that any system is only as good as its architect. It is still frustrating to see tender response templates that lack any evidence of sensible thought put into the likely size or format of the response.

The use of templates does not remove the need for those compiling RFTs to carefully consider what factors will matter most in decision-making; and then to restrict the information requested to those factors and to appropriately weight those factors (only!).

Benefits to the Quality of Decision-Making

In the absence of control experiments, we have no way of measuring the relative merits of our recommendations against traditional decision-making tools, in terms of their ability to deliver value for public money.



We can only record the frustrations of evaluation teams who deliver decisions that are misaligned and unacceptable to their Councils or public clients; and their concerns that the scores, when fed into the weighted evaluation spreadsheet, may result in a recommendation for preferred tenderer that none of those familiar with the project is comfortable with.

Delivery of a sound decision on competence or capability – whether in education, tendering, or any other sector – must logically first involve identifying the factors that will demonstrate the relevant capability sought. Then, the assessment method must focus on the factors that differentiate the responses in terms of those factors.

In education, we have seen the development of a transparent, highly structured model that makes clear to candidates and their assessors what is expected in their responses.

Although there will always be suggestions for improvements, few would argue that over the past 20 years the system has become fairer, more targeted, less subjective, and more reliable for determining capability.

The use of taxpayer and ratepayer money in New Zealand deserves at least as much scrutiny as the integrity of our qualifications system.

Arguably, it will deliver at least as much value to our nation, through development and nation-wide adoption of more robust, fairer, and more transparent processes for decision-making on public expenditure.

The challenge to our central and local government organisations is to work together to streamline and improve the tools, processes and competence that underpins public procurement at every level.

The benefits of more targeted, transparent and consistent practices for tender evaluation – as well as sound training for those entrusted with those decisions – will undoubtedly deliver more robust decisions that enhance value for the money invested in public infrastructure.

Conclusions and Recommendations

This paper aimed to:

1. Describe the evolution and current environment of tender evaluation for public projects;
2. Investigate the quality and consistency evident today in tendering tools and processes;
3. Seek feedback and recommendations from tender evaluators and respondents on the constraints they experience in preparing, evaluating and responding to tenders;
4. Explore how best practice in assessment in the education sector can be effectively applied to procurement; and
5. Make recommendations for reforms in procurement tools and processes that will deliver better value for the public money invested.

Changes in the environment for procurement of public projects have resulted in increasing divergence in procurement processes, tools and standards.

Although New Zealand has benefitted from the use of the NZTA's model for procurement in sectors that go well beyond transport, an even more streamlined approach for public procurement across our nation would deliver considerable advantages, particularly within our current, funding-constrained environment.

Clear themes emerge from feedback from both respondents and evaluators. There is frustration on both sides at:

- The amount of time wasted in responding to, and evaluating, material that has little direct relevance to the project;
- Confused instructions or responses; and
- Lack of clarity in evaluation mechanisms.

These factors all increase the time spent in preparing and evaluating tenders; and most likely also compromise the quality of the decisions that result.

Lessons can be learned from the education sector reforms in assessment and evaluation over the past 20 years.

Tools and methods have been developed and/ or modified to make assessment fairer, reduce time and costs, improve transparency, and increase accountability. As a result, decisions on student capability are now widely considered more reliable than previous forms.

Many of these tools can be adapted for use in public tenders. The most valuable and relevant are:

1. Consideration of risks, critical success factors, and differentiators *ahead of* preparing assessments (RFTs);
2. Restricting the information sought to the most relevant areas to differentiate bidders;
3. Using well designed template responses, together with objective anchored scales to improve assessment efficiency and scoring consistency; and
4. Thoroughly training evaluators; and ensuring RFTs are put together by appropriately trained and knowledgeable people

We encourage public organisations to invest in robust, streamlined procurement tools, such as these.

We welcome feedback from readers on these suggestions; and hope this will catalyse improvements in procurement practice that will deliver better value for the public money that we all invest in our nation.

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Author Biography

Caroline Boot is the founder of Plan A, a business writing company that specialises in writing tenders.



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Prior to starting the company in 1998, she was instrumental in the roll-out of Unit Standards in Mathematics in the Secondary Education sector; and gained post-graduate qualifications in assessment and evaluation within that context.

The past 14 years have seen Plan A grow to a sizeable consultancy, with extensive experience in writing tenders and evaluation tools for public and private projects in a wide range of sectors, both in New Zealand and overseas.

In the past three years, together with Plan A consultants Mike Smart, Allison Denton, and Chris Worth, Caroline has taken a growing role in working with Councils and public organisations to develop more powerful and cost-effective tendering tools and processes.

In this paper, they describe some of those tools; draw parallels with relevant proven practices within the education sector; and make recommendations for delivering better value for money through clever buying practices.