

Chapter 5

PUBLIC SECTOR TENDERING CHALLENGES FOR SMES, PROCURER FEEDBACK PROVISION AND TENDERING SUPPORT MECHANISMS: INSIGHTS FROM THE WELSH TENDER REVIEW SERVICE

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INTRODUCTION

This chapter presents a range of diverse case studies of Welsh small and medium sized enterprises (SMEs), with varying degrees of public sector tendering experience, enterprises that have benefitted from the £3.2m “Winning in Tendering” project’s highly successful Tender Review Service (TRS). The TRS arose out of SME assertions in the Barriers to Procurement Opportunity report (Cahill et al., 2009) that they are failing to learn lessons from previous public sector tenders because they are often receiving feedback that is not meaningful to them and hence they do not fully understand where they are going wrong and what corrective action is required.

The findings provide a plethora of practical insights into why SMEs are sometimes unsuccessful in tendering: highlighting inaccurate perceptions of public sector tendering; a lack of understanding of the intricacies of public procurement and procurement procedures and law; SME isolation; as well as deficiencies that are not so much related to tendering skills, but to management skills and knowledge.

Whilst the main purpose of the TRS is to help suppliers learn key lessons from previous unsuccessful public sector bids, a body of evidence is also emerging as to how public procurers can do much more to remove tendering barriers and thus provide greater scope for SMEs to generate winning tenders.

This chapter will therefore be of interest to a range of audiences including those who wish to gain a practical insight into SME tendering weaknesses, those interested in the debate on SME friendly procurement, as well as academics and practitioners who would like to gain an in-depth understanding of how tendering support mechanisms can work in practice and the benefits and impact of such services for suppliers and procurers.

BACKGROUND INFORMATION

Public Sector Procurement in Wales and its Interface with SME Suppliers

Procurement expenditure analysis by Value Wales, the division of the Welsh Government charged with supporting the circa 100 public sector organisations in Wales in getting better long-term value for the pound, showed that in the financial year 2007/08, public procurement accounted for £4.3bn of expenditure (Efficiency and Innovation Procurement Taskforce, 2011). Local Government (53%) and the Health Sector (26%) were identified as the largest expenditure sectors, with the Welsh Government itself accounting for a further 8%. In terms of expenditure by industry sector; construction, social care and consultancy were the biggest spend areas (Efficiency and Innovation Procurement Taskforce, 2011).

Given Wales' small size, with a population of just under 3 million people (Welsh Government, 2010), this spend is quite significant. For many SMEs, the public sector market therefore presents a lucrative opportunity to win a share of this expenditure. SMEs are the lifeblood of the Welsh economy and account for 99.2% of the business stock in Wales (Micro-Business Task and Finish Group, 2012) and 40% of all private sector employment (Efficiency and Innovation Procurement Taskforce, 2011). SMEs are defined by the European Commission (2003) as those organisations with less than 250 employees and a turnover of equal to or less than €50 million.

To those SMEs unenlightened to the art of public sector tendering and inexperienced as to what is required, they have little real prospect of winning and conversely it presents a threat to their sustainability. The transactional costs of tendering can be significant (European Commission, 2008) and these costs extend not only to the time commitment required for bidding, but also the opportunity costs

of this time. It has been suggested that tendering for public sector contracts can typically be between ten and fifty per cent more costly than bidding for similar projects in the private sector (Fee, Erridge & Hennigan, 2002).

From an SME point of view, the public sector is generally considered to be an attractive purchaser of their goods and services. They are often longstanding, stable customers, who pay promptly and in line with agreed contract terms, and can be particularly important in times of economic uncertainty (EPROC Project, 2007). In parallel, there is also significant appreciation from public procurers of the strengths and virtues that many SMEs exhibit as contractors: characteristics such as their capability to innovate, their flexibility, responsiveness and range of specialisms (Office of Government Commerce, 2005; European Commission, 2010).

Despite this element of co-dependency, public sector tendering remains a clear source of intense frustration for Welsh SMEs as evidenced in the Barriers to Procurement Opportunity report (Cahill, et al., 2009). This research showed that although public sector bodies in Wales have signed up to “Opening Doors” the Charter for SME Friendly Procurement initiated by the Welsh Government (2008), SMEs maintain they are still getting a raw deal.

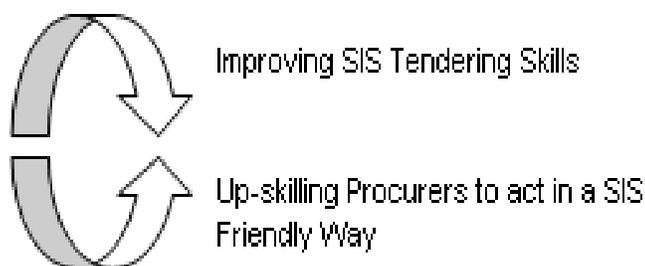
In particular, they believe that the quality of feedback they normally receive from Welsh Public Sector organisations is unsatisfactory, vague and lacking depth, particularly feedback for contracts below the European Union (EU) procurement value thresholds that these SMEs typically bid for (the EU Procurement Directives require goods and services above certain thresholds to be purchased in accordance with the Directives to open up public sector procurement opportunities to organisations throughout Europe). They feel that good and meaningful feedback is a real learning opportunity, a critical element necessary to help them progress and one of the few times in the public tendering process where they are adamant they should have an opportunity to engage with the procurer (Cahill et al., 2009).

The “Winning in Tendering” Project

The £3.2m, 41 month, “Winning in Tendering” project, led by Bangor University’s Institute for Competition and Procurement Studies, and part-funded by the European Union’s Ireland Wales

INTERREG programme, was borne out of the evidence based research that emerged from the Barriers to Procurement Opportunity report (Cahill et al., 2009).

FIGURE 1
The Public Sector Tendering Skills Circle ("SIS" Stands for Small Indigenous Supplier)



Source: The "Winning in Tendering" Newsletter, 2011

This project, which was designated as strategic in status by the funding providers, adopts a balanced and holistic view and recognises there are improvements that must be made on both sides of the supplier-purchaser interface. For SME suppliers in Wales to win a greater share of Welsh public sector contracts they generally need to elevate their tendering skills and better understand the public procurement process. In tandem, public procurers must be more cognisant of SME vulnerabilities by minimising the barriers they face in tendering. To help close this gap, the "Winning in Tendering" project adopts an end-to-end training approach as illustrated in Figure 1 with an overarching project remit of increasing the proportion of public sector spend won by indigenous suppliers in Wales (and Ireland) above the current 50% level (Efficiency and Innovation Procurement Taskforce, February 2011), whilst minimising the transaction costs for both SME suppliers and public procurers in this exchange.

The "Winning in Tendering" Tender Review Service

This paper focuses on research emanating from one of the project's 5 work packages, namely the Tender Review Service (TRS).

The TRS is built around the premise that one of the most important stages of the tendering process is the need for suppliers to learn key lessons from previous unsuccessful bids such that they emerge stronger and better able to win future tenders.

In Europe, there is widespread recognition of the fact that SMEs sometimes find it challenging to put good tenders together (European Commission, September 2010) and need access to support in tendering. The provision of training and guidance for SMEs in drawing up their public sector tenders was one of the specific recommendations of the “European Code of Best Practices facilitating access by SMEs to public procurement contracts” published by the European Commission in 2008.

The euroPROC Good Practices Guide (2010) illustrates the diverse range of tendering support mechanisms for SMEs in Europe. Such mechanisms include: informational services that raise awareness of tendering procedures and highlight tendering opportunities; diagnostic tools that validate the capabilities of SMEs to tender; as well as meet the buyer events, generic tendering training programmes, collaborative tendering match-making services, and coaching and mentoring based tendering support.

To benefit from the confidential TRS, suppliers are required to provide the “Winning in Tendering” team with a previous recent pre-qualification questionnaire (PQQ) or tender, and in tandem the corresponding procurer’s documentation and feedback. The outcomes of the review are a detailed and bespoke Tender (or PQQ) Review Report that demonstrates in a practical fashion how the supplier could have maximised their chance of being successful in the tendering exercise. This “look-back” service has advantages over those support mechanisms that assist suppliers with a current tender, given that it does not face the time constraints of the procurer’s response deadline and the competing demands on a reviewers time when faced with a number of suppliers in the same sector bidding for the same contract and requiring support simultaneously.

The bespoke nature of the service is critical, given that the purpose of the review is to take suppliers on a transformative learning journey that enables them to internalise the key lessons and hence provide the catalyst for change. Each review is also written in a deliberately direct, explicit and honest way using plain English to help

convey the main messages clearly and convincingly and hence ensure the necessary impact is realised and they can tender efficiently and effectively in future. The purpose of the reviewer is to act as a “critical friend” and help the supplier see things through the procurer’s eyes. The written format of the review is also vital, given the supplier can refer back to it when tackling future PQQs or tenders. For those who tender on an infrequent basis, the need for this format of delivery is even more acute.

The Tender/PQQ Review Report consists of a standard structure designed to help facilitate this learning experience. The “Executive Summary” (upfront in the report) outlines the key learning points identified in the main body of the review that the supplier should take into consideration when tackling their next submission. The “Preamble” summarises the key aspects of the procurer’s documentation that the supplier should have been aware of when tackling the PQQ/tender, including the Evaluation Criteria. Finally, the section entitled “General Comments and Observations,” segments the concerns identified in the supplier’s PQQ or tender into major and minor issues.

The service is targeted at three specific groups: first, SMEs who are relatively new to tendering and who will use the service as a mechanism to speed up the inevitable learning curve inherent in tendering; second, those SMEs who are more experienced, but are failing to learn lessons from previous bids, despite their commitment to improving and third, SMEs who are trying to win much larger contracts than they have historically tendered for. The first group in particular may have received some generic “one-to-many” tendering training, but may be struggling to apply the basics of this training in practice. The second group may not understand where they are going wrong.

The appeal and credibility of the TRS for SMEs is heightened given that the service is delivered by an impartial source, a neutral but supportive third party, not involved in any way within the tendering process. This is important on the basis that sometimes suppliers perceive, rightly or wrongly, that there is a lack of integrity within public procurement processes.

METHODOLOGY

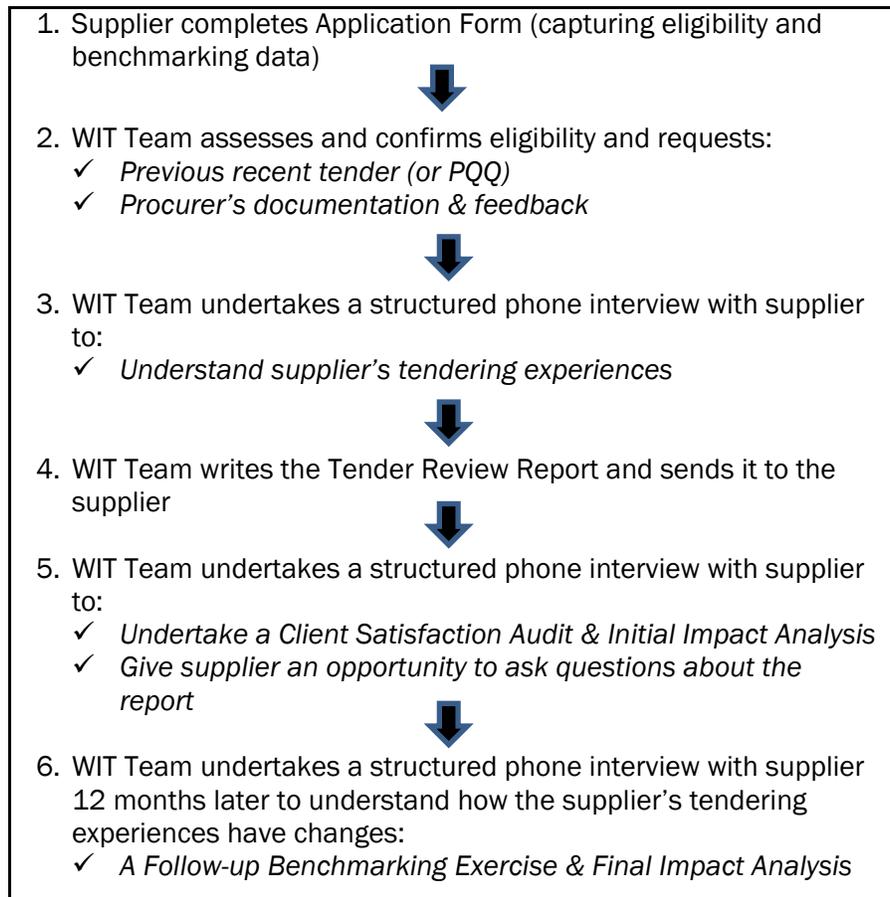
The TRS adopts a standard process whilst engaging with SMEs as illustrated in Figure 2. Each of the client contact points presents an opportunity to gather a rich array of research data. The Application Form (stage 1) gathers elementary information about the organisation, as well as benchmarking data as to their tendering success rate at the pre-qualification and the Award stage. Suppliers are also required to clearly specify why they want to take advantage of the service.

Stage 2 of the process involves collecting the required documentation from the supplier. The tendering experiences' interview (stage 3), provides an opportunity for the reviewer to gain a better understanding of the organisation, as well as their tendering experiences to date (i.e. to comprehend the contextual factors fundamental to providing a report which is fit for purpose). These contextual aspects include: tendering strategy issues (factors that influence whether they bid for an opportunity or not and the size of contracts they tender for) and tendering skills issues (experience/expertise of the individual primarily responsible for tendering and the challenges faced by the organisation in tendering). Resource implications are also addressed, as are procurer feedback issues. The interview additionally provides an opportunity to establish, *prior to the review*, why the supplier believes they did not progress to the tender stage or win the contract.

Stage 4 is the business end of the process whereby a thorough evaluation of the supplier's PQQ/tender response is undertaken *vis-à-vis* the specification, the evaluation criteria and other narrative set out by the procurer.

Beneficiaries are given two weeks to digest the contents of the report, before a Client Satisfaction Audit and Initial Impact Analysis is undertaken (stage 5). The Final Impact Analysis and Follow-up Benchmarking exercise (stage 6) concludes the TRS process and takes place 12 months after the supplier has received their report. This gives them some scope to have implemented the report's recommendations and aims to measure whether tendering behaviours have changed and also whether their tendering success rate has improved. Arguably the latter is the "holy grail" of the TRS.

FIGURE 2
The TRS Process (“WIT” Stands for Winning in Tendering)

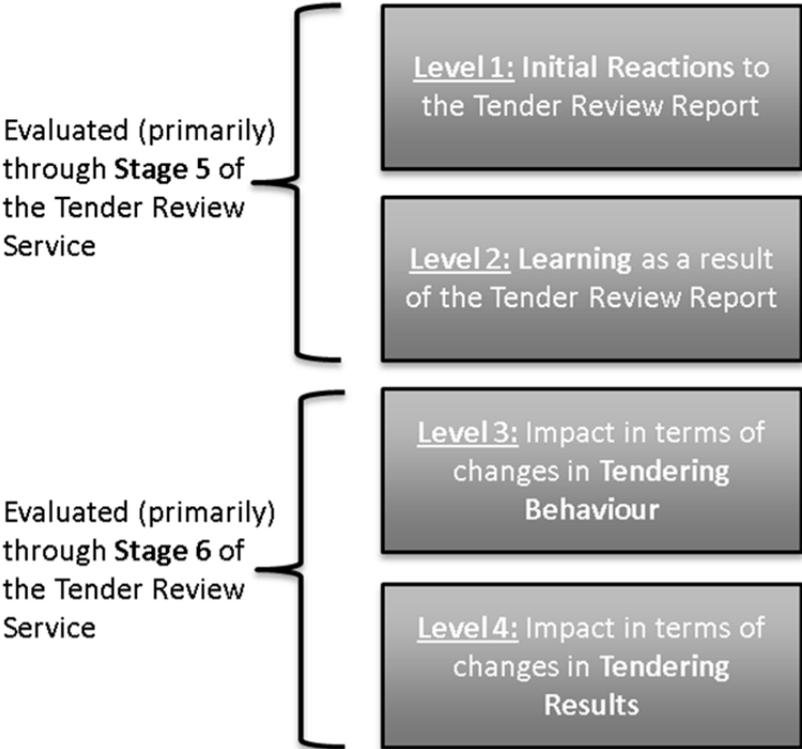


The interviews that occur at stage 5 and stage 6 are designed to align with Kirkpatrick’s model of training evaluation (1975), as illustrated in Figure 3.

The Case Studies: Background Information

This paper presents a range of diverse case studies that focus on 6 different SMEs; all of whom have benefitted from the TRS. The case

FIGURE 3
Kirkpatrick's Model of Training Evaluation*



Note: * this has been amended for the TRS.

studies are underpinned by the research data generated from stage 1 to 5 of the TRS process (they do not include the research outputs from stage 6, given this is a follow-up exercise, carried out a year after supplier's have received their report).

The businesses selected as the focus of the case studies were chosen because they are all successful companies in their own right whom have credible strategies in place in determining what opportunities to bid for; however they have very poor track records in

public sector tendering (the TRS only provides support to those organisations who are unsuccessful in tendering).

The SMEs are also homogenous in that the majority tend to bid for contracts of a fairly small size (typically less than £150,000 in value and below the EU Procurement Thresholds). In the main, they have received some formal tendering training. The companies comprise of an interesting mix in terms of tendering experience; some being practically complete newcomers, whereas others have submitted in excess of 40 bids.

All of the organisations were classified as either micro businesses (<10 employees) or small businesses (<50 employees), based on the European Commission (2003) definition of micro and small businesses, with the smallest company having 2 employees and a turnover of £60,000 and the largest having 40 employees and a turnover of £3.5m. The companies are from a variety of industry sectors.

To provide a balanced picture, half the case studies relate to companies who have benefitted from a PQQ Review and the others relate to Tender Reviews (this distribution is also a good representation of the demand for the different elements of the TRS).

Whilst the businesses are similar in a number of ways, the case studies are extremely diverse. Table 1 provides some outline detail about the case study companies.

TABLE 1
Outline Characteristics of the Case Study Companies

SME Identity	Industry Sector	Size Classification	Review Type	Tender Success Rate	Tendering Experience
A	Engineering	Micro	Tender	0%	40+ tenders
B	Forestry	Micro	Tender	<5%	10 tenders
C	Management Consultancy	Micro	Tender	0%	5 tenders
D	Legal Services	Small	PQQ	0%	2 PQQs
E	Manufacturing	Small	PQQ	0%	5 PQQs
F	Printing and Publishing	Micro	PQQ	0%	12 PQQs

FINDINGS

Case Study A

Company A is an established engineering micro business that has submitted a large number of PQQs and tenders to date with no success. When asked why they wanted to take advantage of the TRS, they stated:

Although two thirds of our turnover comes from public sector money (through small contracts [below the tender process limits], repeat work and working as sub-consultants), we have repeatedly failed to win tenders in our own right. We are an ISO9001, ISO14001 and Investors in People accredited company and we are currently renewing our CHAS [Contractors Health & Safety Assessment Scheme] registration. We would welcome constructive feedback from an impartial source to help improve our tenders and PQQs in the future.

One of the directors of the organisation has main responsibility for completing tenders and PQQs and has over 10 years tendering experience, but has not attended any formal tendering training courses. Company A is very sceptical about public sector tendering:

We think tendering is inherently unfair in terms of procurer's documentation, transparency and evaluation. They often provide the work to who they want to give the work to and not on a fair and transparent basis.

When asked why they felt they did not win the contract that was the subject of the Tender Review, they responded by saying:

We thought our tender was balanced and reasonable. We think it was a set-up in the sense they went for a larger national company who are perceived as being less risk. They were also better than us on price.

Although the supplier did receive feedback, they were still unconvinced there were any weaknesses in their submission other than perhaps their pricing. The written feedback they received, listed their score for each evaluation criteria item in comparison to all other tenderers scores, but provided no additional explanatory narrative. Company A's subsequent verbal debriefing provided insufficient detail and focused on their pricing deficiencies.

The contract was of high risk and (relatively) high value, and was estimated to be worth about £140,000. The evaluation criteria were clearly detailed in the procurer's documentation, together with the scoring methodology to grade answers.

The Tender Review isolated a number of weaknesses which justified the procurer's scoring. Company A's methodology/proposed approach failed to address contract and project management aspects adequately given the contract's size and risk profile. In particular, formal management reporting methods including provision of management deliverables at key project milestones were lacking, as was sufficient coverage of performance management, quality management and risk management issues. There was also insufficient attention given to detailing the track record and experience of the named project manager in managing projects to budget, timescales and quality expectations.

Furthermore, Company A, at times provided too much outline information and insufficient evidence to back-up their statements. For example, they stated they had an "excellent track record in stakeholder engagement" but failed to elaborate on this and thus sell the benefits of their experience in the context of the contract needs.

Further weaknesses identified included a lack of clarity on the project roles of personnel. It was also evident that at times they appeared to misinterpret the procurer's questions or drift away from the real focus of the questions in their responses (some elements of their responses for some questions for example should have been included as answers to other questions). The lack of emphasis on highlighting key selling points of their offer was also apparent.

In summary, the major weakness singled out by the review team was Company A's inability to demonstrate that they would be able to manage the contract adequately given its size and risk profile. This perhaps helps explain why they have been unable to win any formal tenders in their "own right" to date and why their success in winning public sector work has been confined solely to low value quotations.

In response to the Tender Review Report, Company A made the following comments as to its impact:

One of realisation; we thought we'd done a really good job on our tender and possibly get too close to the material, but we now know we could have done much better. We need to be

very careful about how we answer questions and make sure we answer what is asked for. We will certainly be seeking clarifications from procurers as to the true meanings of questions from now on and will be far stricter in terms of requesting feedback – we want detailed written feedback and will not be accepting brief verbal feedback. It has been quite insightful really: an interesting process to have an independent review carried out by a third party. It made us realise we perhaps are not so good at tendering as we thought we were. As SMEs you can sometimes be quite insular and this service can provide a real practical insight.

Case Study B

Company B is a micro business with their operations focused on the forestry industry. When asked why they wanted a review, they stated:

We need to understand why we are passing the [public sector] PQQ stage and [repeatedly] winning private sector contracts, but are failing to win public sector tenders.

One of the directors of the organisation has sole responsibility for completing PQQs and tenders. This director has 18 months sporadic experience of tendering and when asked what tendering training they had received to date, this individual responded by talking about the marketing courses they had attended previously. They had received no formal tendering training.

In their pre-review interview Company B noted that the most common problems they face in public sector tendering are:

Understanding the questions – they need to be put in plain English! What are the questions actually getting at? Repetition of questions within the same tender can also be confusing. Selling our knowledge in the right way – “spin” – is also difficult.

When asked why they felt they did not win the contract that was the focus of the Tender Review, they responded by saying:

We probably didn't provide enough detail and the evaluators did not read between the lines. They didn't trust us because they didn't know us.

Unambiguous detailed evaluation criteria and sub-criteria with weightings were provided in the procurer's documentation, along with a scoring methodology that defined what would be considered an "excellent" response, as opposed to a "good", "poor" or an "unacceptable" response. Notably, these marking criteria did not however feature in the formal feedback letter that Company B received. Instead, the letter stated their score for each sub-criteria item along with their overall score in comparison to the winner's score. This approach, without any explanations for the scores, caused Company B considerable distress, and led them to seek written explanations for their scores from the procurer.

A range of fundamental weaknesses were identified in the supplier's tender response as part of the review process. It was widely apparent in nearly all responses to the procurer's questions, that there was a lack of supporting evidence and detail to substantiate the narrative. The impression Company B gave was that they assumed the procurer should know about them and their track record, and that they felt the onus should be on the procurer to search externally for any supporting material.

It was also clear from analysing Company B's response that they were unclear of the difference between selection questions that focused on them (the "bidder") as opposed to award questions that were designed to understand their "offer". This was particularly apparent given they stated they could not grasp how they scored well for their "experience" at the selection stage, but did not score highly with a similar question at the award stage. There was however a fundamental difference between these questions that Company B failed to recognise and comprehend; in that the latter question was "forward-looking" and designed to probe how the supplier's experience would help deliver the contract, whereas the former required a statement as to general aspects of their experience.

Company B also failed to adopt positive business phraseology that would have given the procurer confidence in their ability to deliver. For instance, they referred to the need to "train their interviewers" without substantiating what they meant by this, which inevitably left considerable room for misinterpretation. In a similar vein, they had a habit of what could be construed as pointing out their weaknesses, for example they commented on their "relatively small team of interviewers." The key aspects of their offer were also often

buried deep within the text and there seemed to be a failure to appreciate how the professionalism of their tender response can also give an unflattering representation of their company. In addition, risk mitigation was inadequately addressed in their tender.

In response to the Tender Review Report, Company B made the following comments as to its impact:

I now have a much better appreciation of procurer's expectations in terms of pitching it at the right level. The report also really helped me to understand the hidden code behind procurer's questions and emphasised the need to spell out our unique selling propositions and address contract management aspects. Public procurer's documentation should make it absolutely clear that the approach you should adopt in bidding for public sector work is very different to winning business from the private sector. In the private sector, they approach you, and therefore you do not have to provide them with reams of evidence!

Case Study C

Company C is a recently established micro business, with 2 experienced directors at the helm. They have completed only a handful of tenders to date. When asked why they wanted to take advantage of the TRS, they simply stated:

To sustain our business we will be reliant on winning public sector income. We are just not winning any at the moment and we want to improve and learn how to compete for public sector contracts and employ more people – we have ambitions for our company!

The director responsible for completing PQQs and tenders had attended some basic formal tendering training courses. In their pre-review interview Company C noted that the most common problem they face in public sector tendering is:

Understanding what the procurer really wants in terms of the specification, as well as understanding how they want us to formulate our tenders.

When asked why they felt they were not successful in becoming one of the three suppliers to be included on the framework contract that was the focus of the Tender Review, they responded by saying:

We didn't provide enough depth and our track record was lacking according to the procurer's feedback.

The email feedback received by Company C for this relatively low value contract provided no scores despite the fact there were a number of evaluation criteria items listed in the procurer's documentation. The feedback did however provide "high level" brief commentary as to why they were unsuccessful. The supplier was sceptical of this feedback and could not comprehend what it *really* meant in the context of their tender submission and hence felt that going forward they would be no better off.

In reviewing the supplier's tender response it immediately became apparent as to the principal reason for them being unsuccessful. Company C did discuss how their expertise and experience could benefit the client, but only at an outline level and they did not contextualise the benefits of this expertise and experience sufficiently in relation to the specification. They did not specify and provide evidence as to how they would use this experience and expertise to carry out the work in the most efficient and effective way.

They were more than able to carry out the work to a high standard given their history, but it was clear in their tender that they felt that by discussing their more senior level experience above and beyond what was being required in the contract that this would be more than sufficient. They assumed therefore that this was an appropriate strategy and assumed knowledge on the part of the procurer. The subsequent interview with Company C confirmed that this was why they adopted the approach that they did. Interestingly, when probed as to why they did not provide much detail, they responded by saying:

The procurer's documentation mentioned on a number of occasions that it was a request for quote, not a tender. We thought it was just a quote and therefore did not feel there was a need to provide much detail.

The reality was that it was an invitation to tender with clearly listed and diverse evaluation criteria, with price being just one of a number of elements. The procurer's documentation and

unsubstantiated terminology confused Company C and inevitably given their relative inexperience in tendering they would have been more vulnerable to this lack of clarity than perhaps other more experienced tenderers.

In response to the Tender Review Report, Company C made the following comments as to its impact:

We now understand the importance of spelling out the evidence and not assuming the procurer knows about us. We found the whole experience really helpful – great to have someone who doesn't know you provide an objective view on the whole process...a "critical friend" providing lots of needed detail and good points to move forward with in the future.

Case Study D

Company D is an established legal services organisation, with over 30 employees which is attempting to diversify into the public sector. When asked why they wanted to take advantage of the TRS, they stated:

We see the public sector as a growth area of our business. We have previously bid for public sector work, but have been unsuccessful. We are renewing our tendering efforts and would like assistance on how to present PQQs and tenders and need advice as to what information we should provide the procurer.

One of the junior partners, new to the organisation has responsibility for tendering. This individual has no experience in tendering and has attended one basic training session on the subject. The junior partner has little support from the senior partners in putting a PQQ or tender together:

One of the biggest problems I find is our haphazard and disorganised approach to tendering. Information is received on an ad hoc basis from different members of the company. We haven't built up an information resource for tendering yet.

When asked why they were not successful in getting through to the tender stage with the contract that was the subject of their PQQ Review, they responded by saying:

We probably didn't have enough of the right type of public sector experience and probably had insufficient resources from the procurer's perspective to deliver the contract.

The procurer's written feedback provided Company D's score for each evaluation criteria item in comparison to the pass mark, as well as additional outline narrative in each case. This narrative included statements such as; "Major concerns, the response was considered assertion and lacking credible evidence". The supplier did not seek further explanation or illustrative examples from the procurer to better understand these comments.

Analysis of Company D's PQQ response identified a number of major issues above and beyond the issues which the supplier felt were wrong with their PQQ, including: lack of detail and evidence; lack of attention to the weightings of the evaluation criteria such that effort and time was not devoted proportionally; and experience and expertise inadequately tailored to the specification and insufficient attention to addressing risk aspects. In their examples of previous work, they did little to indicate the scale of the work to convince the procurer of their capacity to deliver and did not provide supplementary information such as client testimonials to help persuade the procurer of their ability to deliver. Very rarely did they provide actual "hard" examples to back-up their comments. It was also evident that they were misunderstanding the purpose of some of the questions.

In response to the PQQ Report, Company D made the following comments as to its impact:

We now know that tendering is a specialist skill that you need help with especially when you are new to tendering. We cannot bluff our way through PQQs and tenders. We have a legal bias, but we need to think in a more business like way with tenders and sell ourselves better. The review has helped us understand the objectives of the buyer and why the buyer is asking the questions and also the level of detail required. We will now work off the basis that we cannot assume knowledge of the procurer – it is unlawful for the procurer to do so! Going forward, we are going to develop tendering templates and a bid library.

In addition, the junior partner used the report to convince the senior partners of the need to take tendering more seriously – to devote sufficient resources to it; to ensure that all staff buy-in to it (and support the process of compiling bids) and to help them understand that tendering is a specialist skill and not a form filling exercise:

I've put the key learning points from the Executive Summary in a memo and sent it around to all senior partners in the organisation, stating "this is what we need to do to win public sector tenders".

Case Study E

Company E is an established small manufacturing organisation with around 40 staff. When asked why they wanted to take advantage of the TRS, they stated:

To understand how close we are to being competent in the tendering process and to have assistance with understanding a process that will be a major part of our business strategy in 2012. We find public sector tendering a "black art".

The works manager for the organisation has the main responsibility for tendering, with the managing director providing any financial information required and the commercial director playing a role by reviewing final drafts. The works manager has received some basic formal tendering training and has 12 months sporadic experience of tendering.

When asked why they were not successful in getting through to the tender stage with the contract that was the focus of their PQQ Review, they responded by saying:

We genuinely don't know – experience perhaps? We felt our feedback was poor in the sense that all it did was to give our overall score in comparison to the threshold score. No more detail was provided.

The procurer's feedback letter did however offer the opportunity of a debriefing to explain the reasons for their scores. At the point in time when Company E requested a review, they had not taken advantage of this debriefing. The recommendation from the TRS reviewer was that they should do so and they subsequently took advantage of this. This telephone debriefing however did nothing

other than to isolate a couple of their answers where they scored particularly poorly. It is not known whether the supplier tried to probe further by specifically asking what was wrong with their answer and how they could have improved it, or whether the individual within the public sector organisation providing the feedback was either reluctant or unable to provide additional detail.

Company E felt that their main problem when completing a PQQ is understanding exactly what information should be included and being able to “read between the lines” in the questions.

Analysis of their PQQ response showed that many of the common failings mentioned in the previous case studies were also evident. In addition, they were unable to provide any sort of a convincing response in relation to their supply chain. They did not for instance state who all their major suppliers were, they did not give any indication as to how and why they chose these suppliers in the first instance and did not subsequently state how they manage this supply chain.

In response to the PQQ Report, Company E made the following comments as to its impact:

As a result of the report, we now have a much better idea of the level of detail we need to provide and we are acutely aware of the need to provide sufficient evidence and substance.

Case Study F

Company F is an established printing and publishing micro business that is deeply cynical of public sector tendering. When asked why they wanted to take advantage of the TRS, they stated:

As a company we want to improve and this is an area we feel we are weak in. We also feel the integrity of the feedback we have received [in the past] is not good enough. We want constructive criticism back rather than vague feedback. We want to be told that we need to change this and that so that we can win the next one.

One of the directors of the organisation is principally responsible for tendering. This individual has received some basic formal tendering training and has 5 years tendering experience on an

infrequent basis. Although this individual has main responsibility for tendering, all other staff members also contribute where required.

When asked what common problems they face in completing a PQQ, they responded by saying:

We don't sell ourselves well and think too much outside the box for the risk-averse public sector. As far as we are concerned, we can't see any difference between the PQQ stage and the tender stage in public procurement.

Again, many of the common frailties alluded to in the other case studies were also relevant with Company F. Issues related to quality management procedures, previous experience of delivering on time, to budget and to the required quality were all missing in their PQQ response. As were sufficiently convincing statements that staff would be available to take on the contract.

One of the requirements of the contract was to bring in sufficient advertising to cover the cost of developing the client's publication and yet Company F did not specify the value of advertising they had brought in previously, despite having a good track record in this area. It was also notable there was a mismatch between the presentation of their PQQ and the nature of the contract (publishing). The fact that the procurer's documentation gave no indication as to the relative importance of the evaluation criteria did not help the supplier.

In response to the PQQ Report, Company F made the following comments as to its impact:

We can now see that it is vital to assume evaluators know nothing about you and we need to provide the evidence in black and white. We now spell everything out and we do not use in-house terminology. We can also understand why risk is so important to the procurer. We are convinced that we need to ensure someone with a fresh pair of eyes who has not been involved in the PQQ or tender carries out some of the final proofing work.

DISCUSSION AND ANALYSIS

Tensions between SME Suppliers and the Public Sector

Tensions between SMEs suppliers in Wales and Welsh public procurers have existed for many years and are showing no sign of

abating (Efficiency and Innovation Procurement Taskforce, 2011). From the SME perspective, they perceive that public procurers do not do enough to keep things simple and level the playing field for them, whilst public procurers feel SMEs do not understand the constraints they face and particularly so in terms of them having to comply with bureaucratic processes (Cahill et al., 2009; Micro-Business Task and Finish Group, 2012).

Public procurers also argue that SMEs sometimes do not think of them as a “business” (Cahill et al., 2009). For Heads of Procurement in Welsh public sector organisations, the pressure on them has probably never been more intense: not only are they required to fully support the SME agenda, but they are also required to reduce costs given the UK’s public sector debt burden (Efficiency and Innovation Procurement Taskforce, 2011). Should the Welsh Government go down the route of setting spend targets with SMEs, perhaps similar to the 25% aspiration set by the Coalition government for UK Central Government spend (Cabinet Office, 2012) or the 23% small business spend goal set by the Office of Government Contracting in the U.S. (2010), the pressure on Welsh public procurers will be even more acute.

The case studies presented in this paper are an important leveller in that the evidence that has emerged has clearly shown that neither party is blameless. In particular, they have provided a number of valuable insights into the challenges SMEs face in tendering, especially in relation to the interface with public procurer documentation and feedback. This complex web of factors at work and the interplay between them, help explain why the companies that were the focus of the case studies have been unsuccessful in public sector tendering to date.

Poor Quality Feedback and its Consequences

In nearly all the case study examples, the SMEs suppliers, prior to the review, felt there was little to fault with their bids and were largely unaware as to what they were doing wrong. This can be partially explained, because the feedback they received was generally not meaningful to them.

They did not automatically receive feedback that provided sufficient explanatory narrative for them to understand where there were deficiencies in their bids and how they can improve. In many

cases, the only feedback they automatically received was their scores in comparison to the winner's score (or threshold score). Interestingly, the pre-review interviews with the case study companies showed that they either had a very poor opinion of feedback or (at best) a mixed opinion.

Indeed, poor feedback is often quoted by UK SMEs as one of their most negative aspects of engagement with the public sector (Glover Review, 2008; Cahill et al., 2009). The European Commission Report "Evaluation of SMEs access to public procurement markets in the EU" (2010) also showed that lack of quality feedback is perceived by SMEs as one of the major long-term barriers to accessing public contracts.

The importance of automatic provision of meaningful feedback for SME suppliers can hence not be understated; and particularly for businesses new to tendering (such as Company C) who may rely on winning public sector contracts to help sustain their operations during the difficult early years following inception. The case studies demonstrated that by not automatically providing quality feedback, SMEs can become suspicious of procurers and their processes and draw their own conclusions, sometimes totally out of kilt with reality. They think they are doing little wrong and it is the procurer who is lacking in integrity. A further study is required to understand whether this (inadequate) level of feedback provision is widespread, and if it is, why this is the case.

Whilst the case studies illustrated that procurers were sometimes guilty of not providing meaningful feedback, they also showed that the suppliers were at times equally guilty of not further probing procurers to grasp exactly why they were unsuccessful. Further research is required to understand whether the reason for this is because they are worried they will look incompetent, or whether it is arrogance on their part in that they simply do not believe the scores they have received.

Interestingly, Company A explicitly stated that as a result of their Tender Review Report, they will now be insisting on detailed written feedback and will also send more clarifications to procurers to ensure they understand the questions correctly and hence reduce the risk of misdirecting their answers/responses. Studies such as the "Evaluation of SMEs Access to Public Procurement Markets in the EU" (European Commission, 2010) have shown that one of the key

measures helping SMEs in public procurement is that they have the opportunity to request clarifications.

SMEs require Transparent Procurer Documentation

The case studies also clearly demonstrate that SME suppliers are often failing to fully understand procurer's documentation, and in particular their PQQ or tender questions and their *raison d'être*. They are, on the whole, not grasping their explicit (and implicit) meanings and perhaps "cloaked references".

Procurers must remember that few SME tenderers have a background in public procurement and procurement procedures and few can afford to employ full-time personnel with specialised skills in this area (European Commission, 2010). Further investigations are therefore required with public procurers to understand why they are not using plain English more often and using layman's terms that are fit for purpose for SME suppliers. The risk if this *modus operandi* is not adopted is that suppliers who may be best able to deliver a contract to the public sector client's needs (and thus provide best value for money), may lose out because they fail to comprehend what questions really mean.

Furthermore, analysis of the procurer's documentation (whilst undertaking the reviews) showed that they can use widely differing procurement terminology to refer to the same concepts. For example, referring to a tender as a request for quote (as occurred in Case Study C) is clearly misinforming suppliers and this sort of practice creates considerable further confusion for them. Procurers must remember that suppliers often tender on an infrequent basis. It is hard therefore for them to get to grips with tendering, and even more so when they are subjected to widely differing terminology (and tendering formats).

The devolved nature of government in Wales and the decentralised purchasing practices prevalent within Welsh public sector organisations is part reason for this lack of consistency. The introduction of the Supplier Qualification Information Database (SQulD), in response to the Barriers to Procurement Opportunity report (Cahill et al., 2009), whereby procurers are required to adopt a single approach to pre-qualification using a bank of standard questions, is a promising development in Wales for SMEs, but more could be done to embrace an ethos of simplification and consistency

as advocated in the “Buying Smarter in Tougher Times” report (Efficiency and Innovation Procurement Taskforce, 2011).

Given the case studies showed that many of the supplier weaknesses were quite fundamental but basic errors (such as not including sufficient evidence and detail and inadequate consideration of risk issues), one obvious route forward which would help but would not be cost burdensome would be to include mini tendering guides within procurer’s tendering documentation, along with appropriate checklists. This would help remind businesses (such as Company B) who are more familiar with working with the private sector of what is required in public sector tendering, and would provide an opportunity to spell out to suppliers key things they should be aware of when tackling a specific PQQ or tender, such as the significance of the difference between the selection and award stage.

SME Misperceptions of Public Sector Tendering

Case study B and case study D in particular highlight the fact that SMEs sometimes perceive tendering as a low skill, form filling exercise. This outlook, as the case studies demonstrate, can result in various negative impacts that reduce the likelihood of the supplier being successful: a disorganised approach to tendering; insufficient resources devoted to it; insufficient lead time given to preparing bids; lack of a team based approach to tendering and responsibility for tendering delegated to people who are not experienced enough and sufficiently skilled and knowledgeable about the organisation to do a competent job.

The main impact of the review for Company D especially, was the fact that it made them realise that tendering is a specialist skill requiring considerable knowledge. These findings thus suggest there is a real need to attempt to change perceptions amongst SMEs and raise awareness of the importance and significance of such skills and knowledge.

Surprisingly, the Chartered Institute of Purchasing and Supply, the body representing purchasing and supply chain professionals in the UK, does not currently appear to provide accredited tendering training dedicated to public sector suppliers. The “Winning in Tendering” project is however looking at addressing the lack of accredited provision by developing such training via Bangor University and its partners. This training would complement the Tender Review Service

and would aim to cover various specialised aspects of procurement and tendering, in line with the common deficiencies emerging out of the reviews.

SME Tendering Weaknesses

The case studies exposed a number of SMEs weaknesses in tendering. Some of these were issues that can arguably be addressed without too much difficulty, such as the need to:

- Provide sufficient detail and evidence (and not assume the procurer knows about them);
- Tailor tenders sufficiently to the contract needs;
- Ensure tenders are well presented, structured and written with clarity;
- Ensure SMEs sell the benefits of their experience and expertise;
- Devote time and effort proportionally in tendering according to the evaluation criteria weightings.

However, other aspects of their tendering weaknesses were more fundamental. Some of them are perhaps not so much deficiencies in their tendering skills, but their management skills and knowledge. For example, the case study companies often failed to communicate in their tenders' sufficient understanding of the risks inherent in a particular contract and how they would subsequently manage those risks to protect the public sector client. Additionally, they often did not address contract and project management issues adequately.

In relation to specific procurement related issues; it was evident they had a poor understanding of public procurement procedures and law and also found it difficult to credibly answer questions focusing on the subject of supply chain management. Further research with Welsh SMEs is required to understand whether the reason they find it difficult to answer questions related to managing their supply chain is because they do so on an informal rather than a formal best practice basis. The SMEs were also weak at detailing methodology statements that were sufficiently convincing.

As illustrated in Case Study A, when suppliers tender for larger value contracts than they typically bid for, they also need to "step up" a level with their tender submissions. Specialised training that would

empower suppliers to add considerable depth to their tenders in relation to areas such as risk management and contract management would therefore certainly help in such circumstances.

CONCLUSIONS

The most striking aspect of the case studies is the change in outlook of the SMEs pre and post review. This illustrates the impact of adopting a one-to-one approach where the purpose is to take suppliers on an educational experience: a learning journey.

The case studies demonstrate that sometimes SMEs operate in a vacuum. SMEs relatively new to tendering and those working in relative isolation may for instance never have seen a best practice example of a tender. If public procurers fail to provide SMEs with meaningful feedback, then SMEs will continue to be unenlightened as to where they are going wrong and how they can improve. It is also probable they will continue to be disillusioned with public sector tendering.

An independent review of a PQQ or tender by a neutral and supportive third party, not involved in any way within the tendering process, can fulfil a number of important functions. It can help suppliers grasp the real meaning behind procurer's questions and encourage them to request clarifications in future. It can also inspire them to adopt reflective practices (such as undertaking post-tender reviews) and view tendering not as a form filling exercise, but a real opportunity to present a convincing business case. It can also encourage SMEs to develop bid libraries and tendering templates to make the process of tendering both more efficient and effective.

Interestingly, one of the common stated impacts of the TRS is that it empowers suppliers to gauge procurers' expectations and "at what level to pitch things" - by this, SMEs mean a number of things, including the level of detail and evidence required; how the tender document should be presented and structured; to what extent it should be tailored to the contract needs; and the subsequent resultant lead time required to tender.

The TRS offers scope to help reduce supply voids in Wales by engaging with Welsh SMEs at an early stage so they are adequately prepared in advance of major public procurement opportunities. Supply voids are areas of Wales where demand is fulfilled completely

by suppliers located outside Wales, or where there are no Welsh suppliers to meet the demand (Efficiency and Innovation Procurement Taskforce, 2011).

Of course, the wider costs when suppliers do not learn lessons from their tendering activities can be significant. For example, the transactional costs that the case study companies specified in terms of the cost of their time on each occasion they tender ranged from £500 to £8,000. The opportunity costs of this time also need to be factored in. In parallel, there are costs that the public sector must bear every time they are required to evaluate a tender or a PQQ that in reality may have very little prospect of being successful because of the clear tendering deficiencies outlined in this paper.

These deficiencies, together with the fact that some SMEs perceive tendering as a low skill activity, suggest that accredited and specialist training delivery (rather than solely provision of generic tendering training), would significantly help Welsh SMEs in their tendering activities. Such provision should not substitute the TRS, but instead complement it.

The benefits of the TRS are not only relevant to suppliers and the wider Welsh economy. Public procurers should also benefit from more finely tuned and targeted tenders. There is also scope for the TRS to directly support public procurers by reducing the burden on them to provide a full educational experience in the feedback they provide to suppliers. However, public procurers must not forget their responsibility to provide meaningful feedback. They must also respond to the needs of SMEs and design documentation that enhances transparency for them and in so doing minimises the vulnerabilities they face in tendering.

The full impact of the TRS will only be apparent in 12 to 18 months when the Final Impact Analysis and Follow-up Benchmarking exercises have taken place with all the beneficiaries of the service. For some SMEs, the ultimate impact might be that they decide public sector tendering is not for them, whilst for others it may have resulted in noticeable permanent changes in their tendering behaviours which has also translated into a tangible impact on their bottom line.

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