

BEHIND CLOSED DOORS

Insights from evaluation panels

A RESEARCH PROJECT UNDERTAKEN IN 2019
ACROSS THE QUEENSLAND INFRASTRUCTURE SECTOR

Research conducted by:



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FOREWORD

At its heart, the tender process has mostly remained unchanged for decades; an RFT is released, contractors assess, ask questions, develop a tender document, present to the buyer and a winning bid is selected.

Yet projects have become larger, more complex; requiring higher levels of design, complexity, and technology, as well as considerations relating to factors such as sustainability, procurement policy, participation, local content and more that were not historically part of contractors requirements.

This has caused tenders to become far more challenging for buyers to issue and manage and for contractors to respond to. As a result we have seen the cost of tendering escalate and capability and capacity come under significant pressure across the board.

Therefore QMCA is delighted to have undertaken our first piece of research with Aurora Marketing in a three-stage programme, as we seek to improve the way in which major programmes of works are released and responded to by the market.

Focussing on the entirety of the tender process we have engaged with the major project owners in Queensland across private enterprise, state government, local government and government-owned corporations to identify the issues, challenges and successes they have with how tenders are undertaken.

This report identifies those key areas.

For the second stage of our research, we will be engaging with Queensland's major contractors and the wider supply chain to look at their challenges, issues and successes when tendering for work. This will be undertaken from mid-November onwards.

In early 2020 we will cross-reference and analyse the responses from both sides of the tender process and make a series of recommendations about how projects owners and industry can improve the process of tendering for major infrastructure projects.

Though this three-stage approach, QMCA and Aurora Marketing believe that we can improve every aspect of the tender process for all parties, improving collaboration, removing waste and reducing the burden of cost associated with the exercise.

Thank you to everyone who has participated in this project, we look forward to sharing the findings with you as we seek to build a sustainable infrastructure sector in Queensland.

A handwritten signature in black ink that reads "Jon Davies". The signature is stylized and fluid.

Jon Davies

CEO

Queensland Major Contractors Association





INTRODUCTION

Having worked in bids and tenders for more than 20 years, I have consistently heard our clients express frustration at the complexity of the procurement process and the challenge in gathering real, meaningful and constructive feedback from evaluation panels. Several years ago, we took it upon ourselves to see if we could help clients go 'behind closed doors' to improve their understanding of the procurement process and to gather feedback that might give them insight in to what bidders were doing well and what they could do better. The case studies we produced as a result of our first tranche of research revealed a few surprises, overturned a few myths of the dark art of bidding, and transformed some teams to embrace a new approach to their submissions. We considered the research a resounding success and resolved to make it a permanent part of our ongoing knowledge development.

By joining forces with QMCA, we've been able to expand the research to a wider mix of respondents from Queensland's infrastructure sector. The 'Behind Closed Doors' report you hold in your hands presents the findings and insights from our inaugural QMCA Aurora Marketing research study. We conducted our research using a combination of surveys, telephone interviews and face-to-face meetings with people who had served on evaluation panels for formal procurement processes for organisations including ARTC, Aurizon, Brisbane Airport Corporation, Brisbane City Council, Queensland Department of Transport and Main Roads, Port of Brisbane Corporation, Queensland Urban Utilities, SEQ Water and Transurban.

I hope the findings and insights we present prove valuable to you, by giving you confidence in your current approach to bidding or perhaps by steering you in a new direction which might bring more success in future.

I look forward to working with QMCA to complete further stages of this research program and making this report a go-to reference for bidders in Queensland.

Thank you to all who participated and we look forward to continuing the conversation.

Leann Webb

Leann Webb
Managing Director
Aurora Marketing

Factors that drive decision making

Criticality of formal tender submissions

Evaluators recognised the criticality of the formal submission process to their procurement decisions. On average, the respondents scored the importance of the formal tender submission at 93% and described the formal tender submissions as ‘absolutely essential’.

93%



Essential considerations

Almost one third of respondents considered the relationship between the buyer and the bidder – meaning their ability to work well together – to be the most important factor in the decision making process. This was closely followed by the perceived suitability of the bidder’s team to the project. Even so, the spread of responses across these considerations shows that all elements are important to the evaluators.



THE SUITABILITY OF THE TEAM – having the right people to deliver the project: **23%**



AN APPROPRIATE TRACK RECORD – relevant experience to the project: **18%**



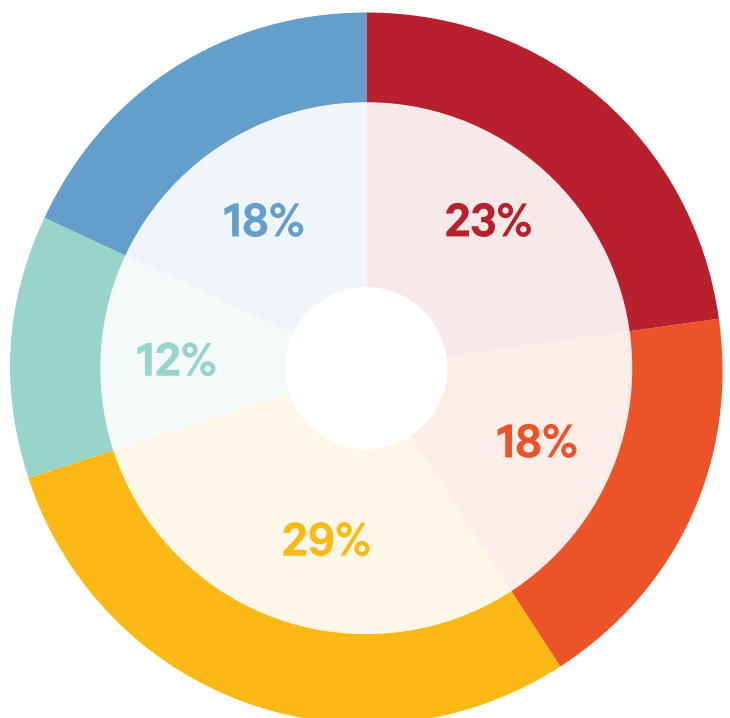
A PARTNERSHIP RELATIONSHIP – confidence the buyer and bidder can work together long term: **29%**



COMMITMENT TO THE PROJECT – confidence in the bidder’s ability to deliver as promised: **12%**



AN APPROPRIATE SOLUTION – proposing a solution tailored to the specific project: **18%**



Elements of a strong proposal

76% | Demonstrating ability to deliver to project objectives

76% | Demonstrating understanding of and ability to manage projects risks and challenges

71% | Providing a comprehensive and clear response

71% | Providing evidence of likely project success

Verbatim



Price is clearly an important aspect but it is about overall Value for Money - which is not just price!



Team fit is very important. The team does not necessarily have to have worked on a particular asset class, but they have to demonstrate that they are collaborative in nature and excellent decision makers or solution identifiers.



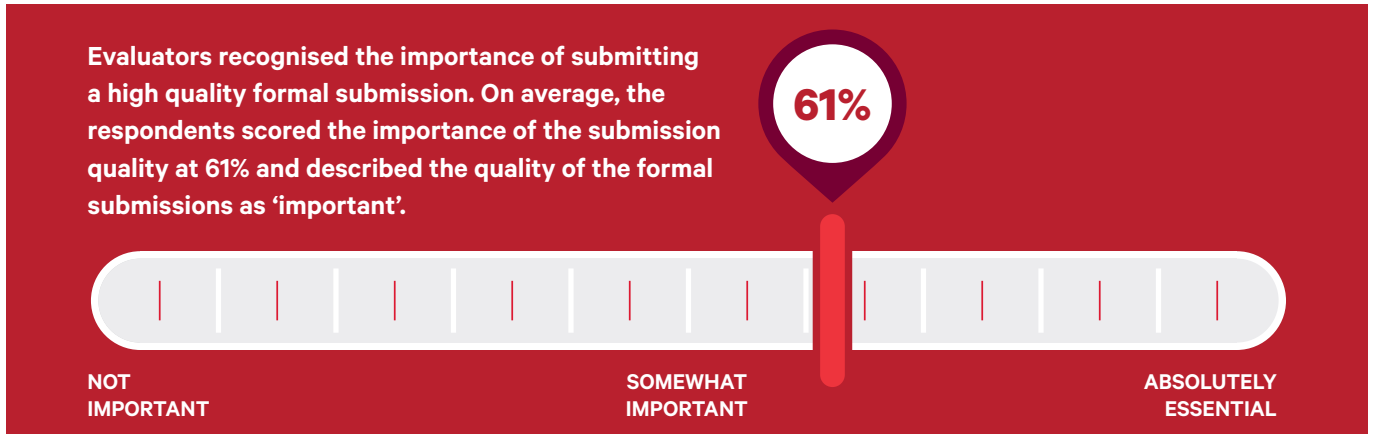
The bidder must show they understand the risk allocation and objectives, they understand what the measure of success of the project is, understand the expectations of the buyer and show how they will commit and meet these expectations throughout the project delivery.



The bid outcome is about getting value for money, ensuring the risk allocation is adequately understood, controls are clear to manage the risks, and the buyer expectations are met.

Current state of bidder performance

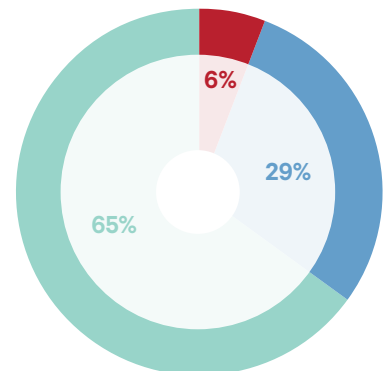
Importance of submission quality



Demonstrating understanding of project needs

Bidders have an opportunity to do better in how they demonstrate their understanding of project needs. While almost two-thirds of respondents believe that bidders do a reasonable job of demonstrating their understanding, NONE considered that it is being done very well. This provides bidders with an opportunity to stand out from competitors in a key area of importance to evaluators.

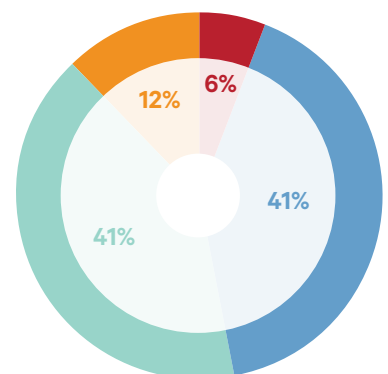
NOT WELL 6% ADEQUATE 29% REASONABLE 65% VERY WELL 0%



Overall quality of submission

Bidders can be pleased that the quality of their bids is generally considered to be of a high standard with 88% considering bids to be somewhat high quality or better. No-one considered that the overall quality of bids they received were of a low quality. However, bidders still have an opportunity to stand out from their competitors given that only 6% of evaluators considered bids to be of a very high quality. Having said that, evaluators recognised that the higher the contract value, the better the quality was of typical submissions reflecting the increasing competitive nature of high value contracts.

VERY HIGH QUALITY 6% HIGH QUALITY 41% SOMEWHAT HIGH QUALITY 41% NEITHER HIGH NOR LOW QUALITY 12% LOW QUALITY 0%



“A large portion of submissions do not contain the requested information.”

“More focus should be put into demonstrating the bidder understands the risk allocation and that the value of the bid is right.”

Common failings

According to evaluators, there are some consistent failings in formal tender submissions:

82% | Written explanations aren't clear or are lacking detail

47% | Evidence is missing

35% | Capability of the bidder isn't apparent

35% | Suitability of the team isn't apparent

Reflections



"It was impressive when a bidder understood our objectives and aligned their solutions to them by redesigning an interchange to reduce the resumption footprint."



"It was great when a bidder presented their team 'as they were' and articulated what the team could bring to the project."



"On a particular project, the bidder used a clear writing style without clutter or filler and answered the questions asked which showed that they understood the question while still providing a comprehensive answer."



"When bidders provide a business-as-usual response, at best they score 5/10. Many bidders have done good work before and have the experience, but the questions are designed to get the best tenderers for the project. Bidders need to tell their story to illustrate that they have experience and knowledge specifically relevant to the project."



"Almost every tender has at least one bidder that provides an 'off the shelf' submission that describes what they did on another project but doesn't link it to the specific project being tendered."



"Bidders regularly promise the 'A Team' to deliver the project and subsequently substitute them for the 'F Troop'."

Verbatim



Buyers expect fair value (in the overall tender including solution, team, methodology and price) to be bid and that commitment to be kept. Tender processes should not be a "race to the bottom". There is a tendency for successful tenderers to expect the buyer to bail them out when they win and cannot deliver.



These have all happened: Didn't answer the question asked; Provided poor or business-as-usual answers; Didn't demonstrate a skill or experience; Didn't demonstrate they understood the project scope/objectives; Exceeded the page limit. Bidders sometimes forget that the criterion are designed to reduce the field and pick the best tenderers for the project. A business-as-usual response is not a competitive response.

Evaluation framework

Panel membership

A typical evaluation panel comprises representatives from a mix of disciplines drawn from:



**THE ORGANISATIONAL PROJECT TEAM
THE BROADER ORGANISATION, AND
EXTERNAL INDEPENDENT CONSULTANTS.**

Typically, an evaluation panel is supported by a broader evaluation team that provides specialist advice on specific subjects. In most cases, the members of an evaluation panel score returnable schedules individually, then convene to moderate, discuss the evaluation and reach a moderated score through consensus scoring. A probity advisor is always present in these sessions.

Evaluation Plan

Significant thought and effort is placed in the development of an Evaluation Plan. The plan sets out the evaluation framework including criteria/weighting, interactive and Q&A processes and probity. The process set out in the plan is then followed. The plan is developed and agreed prior to the public tender process commencing.



Evaluation panel members have full access to the submission but in some instances only get access to the pricing component after the non-price components are scored.

All the evaluation panel members will typically read the submission from cover to cover.

More often than not, members score submissions individually first then come together for a moderated scoring session which is typically overseen by a probity advisor.

Verbatim



The observations we gather from interactives are very important as they are a good indicator of the potential relationships that may be expected during delivery. A blasé attitude during these sessions may not demonstrate competency.



We do not assess their presentation skills i.e. a person who reads from their prompt cards is not rated down as opposed to the fluent 'toast master expert.' Presentations can, after all, be nerve racking. The best presentation I have seen is the proposed team being themselves. The proposed team were not slick executive or sales people they were engineers and project managers. They managed to really convey this.

Bid costs

Reducing the pressure on bidders

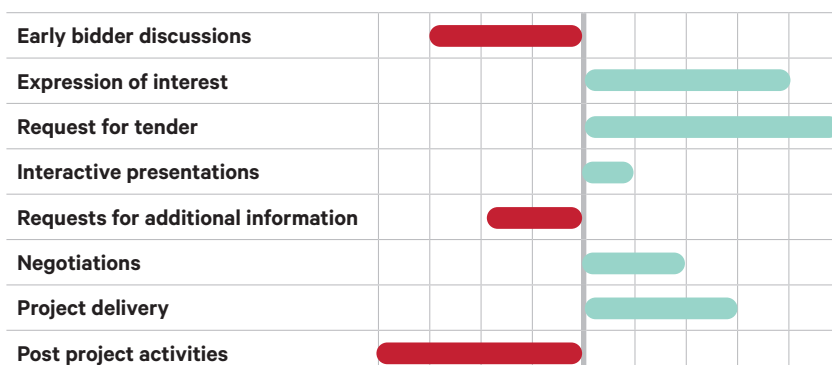
Buyers understand the mammoth effort required from bidders who participate in formal procurement processes. To minimise the impact on bidders and reduce the cost of procurement, buyers are:

- Publishing procurement forecasts so that bidders can plan and prepare
- Increasing the prevalence of panel and standing offer arrangements to reduce full-scale bidding
- Producing higher quality request documentation
- Contributing to tender costs to support bidders to do a thorough job
- Shortlisting fewer bidders to proceed through to the formal tender process

SOPHISTICATED BUYERS Buyers are increasingly sophisticated and professional when it comes to their procurement processes, particularly in developing comprehensive, carefully considered request documents for bidders to respond to. There are tight linkages between the project scope and requirements, the evaluation plan, the scoring matrix and the returnable schedules, and most buyers stated that they only ask questions that they believe are directly relevant to assessing the capability and capacity of the bidders. When preparing their request documents, some buyers described a process of writing exemplar responses before reverse engineering the questions that would most likely result in the kind of answers they are seeking. Furthermore, some buyers even engaged independent academics to conduct peer reviews on the draft returnable schedules to ensure the questions and instructions are as clear as possible.

Effectiveness of procurement phases

Buyers recognise that some phases of the procurement process are done better than others. The formal tender process (RFT), the formal expression of interest process (EOI), interactive presentations, negotiations and the final delivery phase are all seen as being quite effective. On the other hand, perhaps not surprisingly, the least effective phases are those that bookend the formal procurement process, as well as the clarifications process.



Post-submission processes

Buyers recognise that post-submission processes such as clarifications and negotiations can drive significant increases to a bidder's costs, however almost 50% of buyers said that the poor quality of the bidder's documentation was one reason that extended post-submission engagement was needed. They cited the following issues:

- Proposals are vague or ambiguous
- Proposals are missing key information
- Proposals do not address the specific tender requirements
- Risk allocation, assumptions and warranties are not clearly defined
- The transition between bid team and delivery team is not clearly planned.

The value of feedback

A delicate balance

Buyers recognise that constructive and meaningful feedback is essential to help bidders succeed in future projects, but it is a challenge to balance probity and openness. Some of the challenges buyers identified include:



The time between the submission, approval and announcement



The need for feedback to be factual and specifically related to the submission



Confidentiality requirements which lead to comments being general and vague



Hostility from losing bidders



Discomfort providing feedback where it relates to the team members proposed



Risk of legal or political action

Verbatim



Do something with the feedback you receive. Make sure the right people are at the debrief to take the feedback on board and make it happen. In one contract, it was evident that one of the bidders had taken on board past feedback, whereas the others hadn't despite being told multiple times.



Only submit tenders for projects you are serious about wanting to win and deliver. Don't feel the need to make a tender just to show interest and commitment for future opportunities. Clients understand these business decisions if openly communicated.



Collaboration is seen by some bidders as a willingness to compromise quality and lower standards in order to preserve margin. But collaboration is not about softer or 'watered down' contract conditions – it is an attitude that all parties honestly commit to delivering their best possible outcomes.

Collaboration is the key

Improving genuine collaboration

A consistent theme from buyers is a desire for genuine collaboration with bidders in order to reduce costs, streamline processes and improve project success. Buyers recognised that both parties needed to step up their game for collaboration to improve.



BUYERS NEED TO:

Take collaboration more seriously and genuinely commit to it

Involve stakeholders in order to develop a broader perspective

Do a better job of defining and communicating expectations

Make more effort to understand the challenges faced by bidders

Tailor the delivery model to suit each project



BIDDERS NEED TO:

Deliver on their promises

Be honest and behave in a way that creates trust

Ask more questions to clarify expectations

Be clear, precise and realistic

Demonstrate how proposals will translate to outcomes



While company experience is important, we are more concerned about the team's ability to get the job done and work with us.



Tenderers should submit realistic tenders even if it means losing the bid. Aggressive low bid/claim strategies are unsustainable and not good for industry.



Bidders need to make sure their responses address the questions being asked. If they don't understand the question, they need to ask questions and seek clarifications to understand what the buyer is asking for. Be honest – don't try to bluff your way through.

Key takeaways

Summing up this first round of research with evaluators from the Queensland infrastructure sector, there are 6 key lessons for bidders. What makes these findings interesting is how simple they are, indicating that there are some fundamental failings from bidders that cause delays, increase costs and ultimately undermine their likelihood of success in bidding.

1



Provide a comprehensive answer to every question

One of the biggest frustrations for buyers is an incomplete tender. When a question is left blank, or an aspect of the scope is not addressed, it introduces confusion and risk to the buyer – is it a mistake, has it been left out intentionally, doesn't the bidder know the answer, or can't they be bothered to respond? Even when the question doesn't seem relevant to the bidder, they need to provide an answer, even if it means providing an explanation about why it isn't relevant or why they can't answer it at the moment.

Furthermore, buyers can only score submissions on what is included in the documentation. If information isn't included in the formal submission, it cannot be assessed. Numerous buyers provided examples of submissions that assumed the evaluators knew important information about the bidder such as relevant experience or team capability. With vital information missing, the bidder's proposals fell short. Buyers were adamant that they need bidders to submit comprehensive information on proposed methodology, delivery approach, previous experience, team capability etc to demonstrate how the project objectives will be achieved, as well as how risks and challenges will be managed. The general rule of thumb is to go beyond basic compliance and provide a deeper, broader and more comprehensive answer.

2



Ask questions

Buyers were frequently baffled by one particular aspect of bidder behaviour: their reluctance to ask questions. Buyers hold briefing sessions and site visits for the express purpose of providing information, outlining their priorities, setting boundaries and defining their risk profile in order to save bidders time and effort in the tender period and drive better project outcomes during delivery. Unfortunately, bidders' reluctance to ask questions – because they don't want to look silly or because they don't want to give away a competitive advantage – means that they miss their opportunity to learn more. Several buyers spoke about the deep level of project and site knowledge that is held within their team and their knowledge of possible innovations, but this expertise is frustratingly ignored or neglected, resulting in poorer quality solutions being proposed than could otherwise be possible. Buyers recognised that there is a potential for smart ideas to be 'stolen' by competitors, but the team with the stronger capability should always come through in the end.

3



Provide a clear commercial response

Another common theme from buyers was their frustration at bidders who avoid the commercial conversation. A surprising number of bidders submit responses that ignore the contract and remain completely silent on commercial terms, assumptions, qualifications and departures. Buyers expect to receive a mature commercial response, including detailed departure information, from bidders at the time of submission so that they can understand the bidder's approach and adjust the pricing proposal to account for the bidder's acceptance of risk.

4



Keep it together

A common misconception in tendering is that bid documents are 'divided up' in to specific subjects or schedules and distributed to sub-panels of evaluators who only review their separate silo of information. In reality, evaluation panels aren't as 'clear cut' as this. Indeed, most buyers confirmed that they have access to the entire submission and typically read responses from cover to cover. This means that bidders need to ensure their submissions are fully integrated and cohesive as buyers are easily able to spot inconsistencies or conflicts in the proposal.

5



Steer clear of the 'bait and switch' ruse

Virtually every buyer had an experience of being sold an "A Team" of delivery experts, only to find that those individuals were not available when it came time for project delivery.

Buyers understand that circumstances change and they have realistic expectations, but they expect bidders to be open and honest about likely availability and potential competing engagements. If a person can't be guaranteed, provide a backup as well as a transition plan. Furthermore, buyers expect that team member substitutions are of comparable capability – swapping an "A" player for another "A" player. And one last tip: don't nominate someone that could be named on a competitor's submission – it's not a good look.

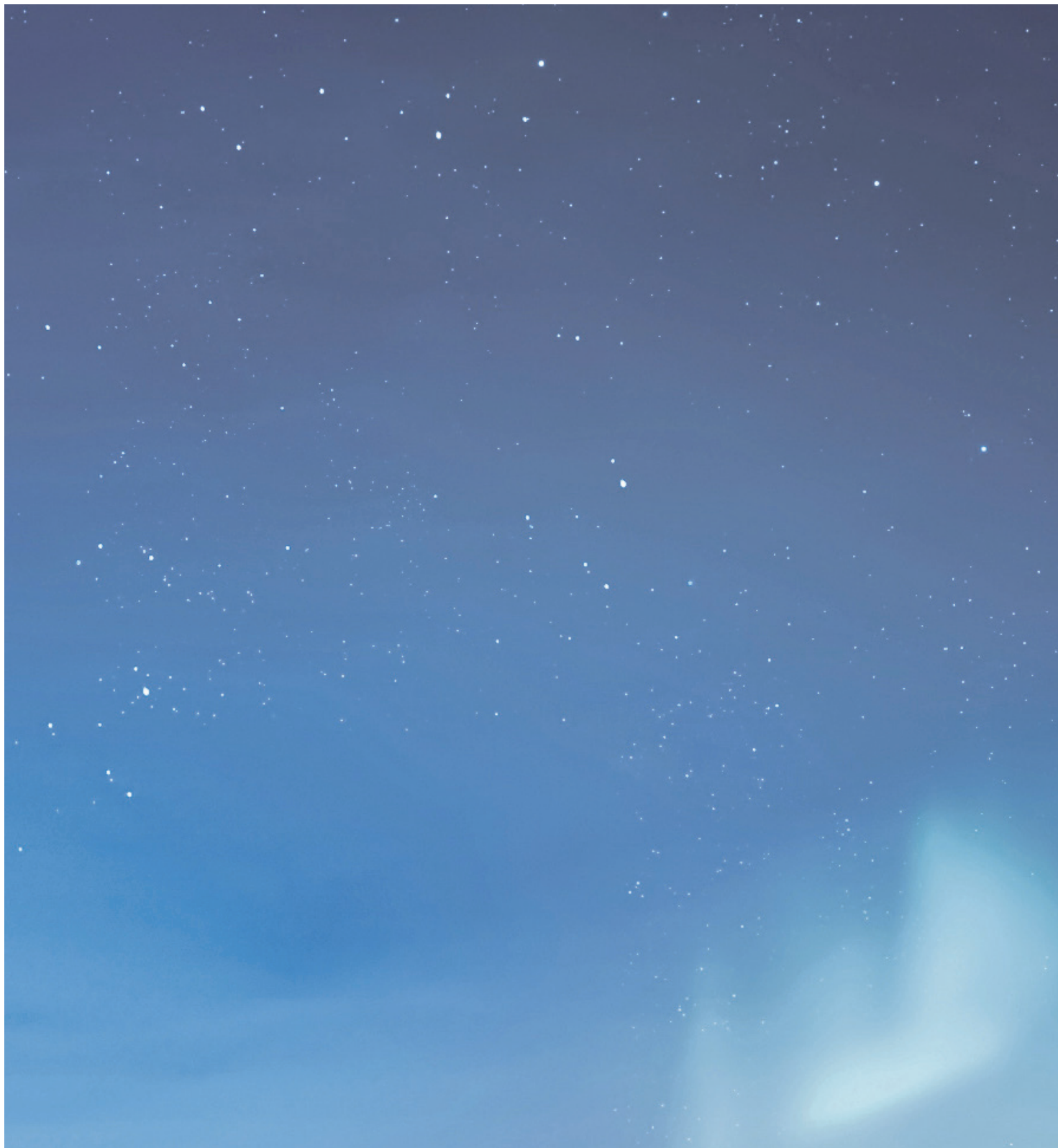
6



Offer value for money

The topic of pricing was a strong theme, with buyers firmly stating that there is a big difference between price and value. The bidder mantra of 'it all comes down to price' is frustrating and inaccurate. Multiple buyers provided definitions of value that included achieving project objectives, meeting buyer expectations and adequately managing risks. Indeed, a low price is more likely to raise suspicions and concerns rather than create excitement. Several buyers stated that if a proposal is significantly lower than competitors, it usually signals that the bidder has shifted risk, not adequately scoped the job or will take an aggressive approach to variations to cover their low bid price.

Furthermore, buyers offered a warning to bidders who try to drive a low cost through shifting risk or making departures to the commercial terms: it just means you lose control of the cost of that risk. The typical evaluation process involves buyers factoring in their own costs to manage risks that aren't being adequately managed by bidders, meaning that the end price bidders are assessed on (the 'risk adjusted price') includes the cost of the risk anyway. Buyers recommend that bidders take more control over appropriate risks as they are able to drive better project outcomes as well as a lower overall cost.



Research undertaken by



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