

# Tender processes can be improved

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## GOVERNMENT CONTRACTS

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**F**OR MANY suppliers of services and products, winning government and state-owned enterprise (SOE) work is lucrative, although fraught with difficulty. But it can cost millions of rand to tender and I believe it harms South Africa's competitiveness.

Providers of services and products see a contract with the government as lucrative, and indeed, it can be. But efforts to win the work can be a poisoned chalice and at times prove so arduous that it is simply not worth risking existing business.

Certainly procurement procedures must be rigorous so that graft and skulduggery can be prevented. But the examples cited below, of the flaming hoops through which businesses must jump, are more about outdated systems and, in some cases, pure ineptitude than about due diligence.

These examples are presented in a constructive spirit, aimed at helping to improve efficiency and at improving the effectiveness of business and the government, and to help drive economic development.

● **Onerous tendering procedures:** As an example, you list as a supplier of company A for tender one, you win tender one and are asked to tender for number two. You are not on the database, so you must resupply all documentation in triplicate. This investment includes the cost of compiling and delivering the documentation. Most supplier databases are paper based and must be updated annually. It's archaic, to say the least.

We know of at least one instance where the documents were delivered safely, then lost. A set of replacements was frantically compiled and couriered. But because the department had given the applicant the wrong delivery address, the couriers arrived two minutes late and the application was disqualified. What can be done? An online tendering procedure? A secure centralised hub for documents?

● **Why can compulsory briefings not take place virtually?**

What can be done? Skype, video conferencing and Webex are all available and used widely in business and civil society. Could South Africa learn from, for example, international airlines, which use online processes to buy everything from public relations services to fuel and catering?

● **Unnecessary standardisation:** Is there a reason, apart from "We always do it this way" that document requirements have still not been standardised per sector, rather than a single one-size-fits-all form?

The form is used by departments requiring retail, manufacturing, supply chain, communications and media, and so on. This would save prospective suppliers from having to dredge through reams of irrelevant material and risk missing out the one section that would disqualify them.

What can be done? Again, would a secure online system help?

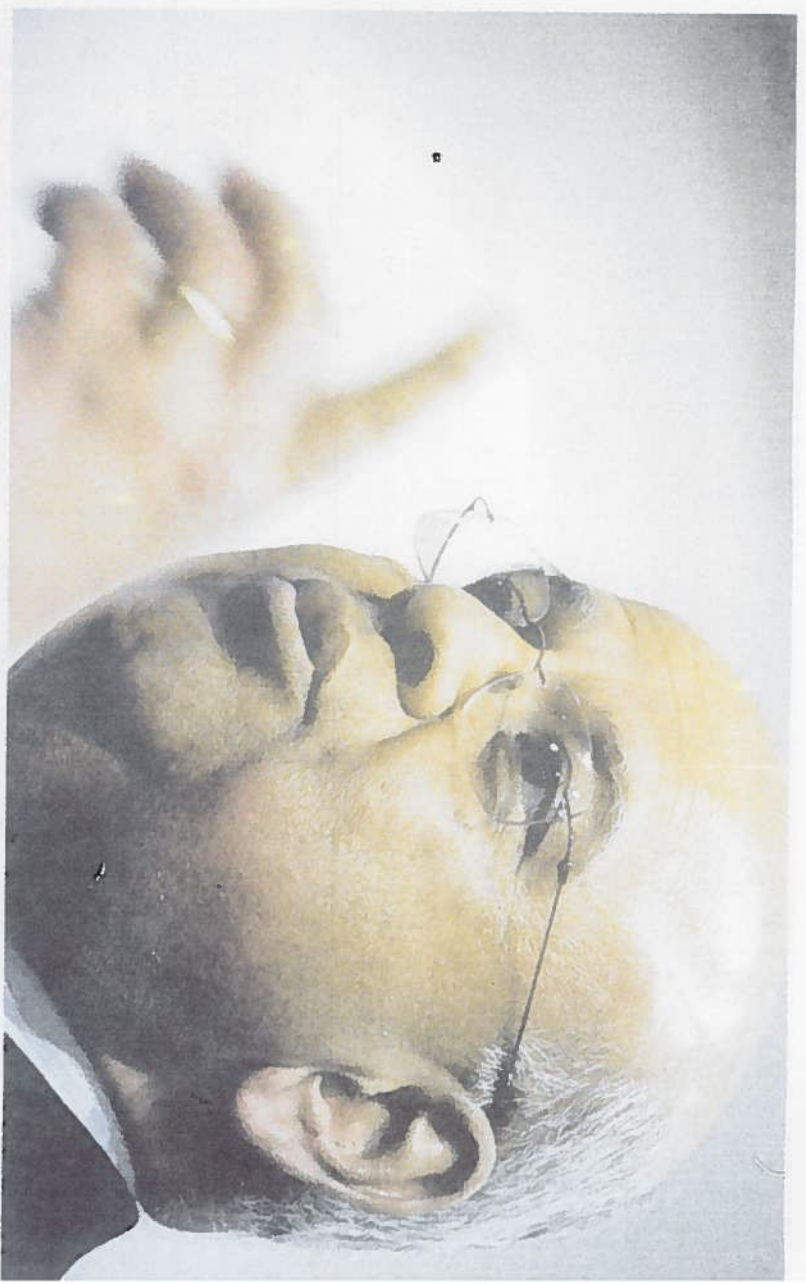
**A key problem with the tender system is that there's generally zero feedback on why tenders are not won. This provides no potential for growing your business.**

● **Cashing in on fees:** The fee for submitting a tender may be anything from R500 to R20 000. It is non-refundable. Surely a company that's gone to the effort of tendering should be able to recoup that investment, or at least a portion of it?

What can be done? Obviously compiling a Request for Proposal takes time and money, but we believe a discussion is required about the thin line between covering costs and making an easy buck.

● **Unclear briefs and poor feedback on urgent queries:** How many firms that have tendered to work for the government have attended compulsory briefings and been met by juniors who cannot respond to the most basic queries about the brief? Surely it is in the best interest of the tender advertiser to provide the best information available to the applicants and so ensure that the best candidate wins the work?

In several cases queries about the



The recent debate about the R102 billion spent by the government between 2008 and 2011 has been lively, and Finance Minister Pravin Gordhan's commitment to clamp down on tender and procurement irregularities will keep the issue alive.

tender are only partially answered, or after the briefing. In some cases they are answered just a couple of days before the tender's deadline, and some of the answers fundamentally change the content of a tender application.

What can be done? Skills must be upgraded and consistently poor performance must have consequences.

● **Impossible tender deadlines:** Our company was phoned on December 24 and asked to edit, design, repro and print copies of a 30-page booklet by January 2. It illustrated a poor grasp of the logistics of the work required and the amount of training we, as the supplier, would have had to provide the client to compensate for this. It is a symptom of how service providers often pay the price for clients' poor planning.

What can be done? Planning, surely if something is important, it is important enough to plan for?

● **Chasing a budget, not quality:** This is possibly the biggest failing of procurement and if it happens in media/communications/advertising one shudders to think of its implications in engineering/retail/supply chains and so on, where, for example, cutting corners on building a dam wall could endanger thousands.

An example: Company A presents a budget of X, which is 96 percent of what it will really cost you, as the supplier, to do this work. You need the work, so you take it on, on the understanding that you will

negotiate a better price next year. But next year the work is put out to tender again, so you incur more costs to win the work and the project is even less viable than before.

But now supplier B wins the work because they provide a cheaper quote, along with substandard work. So Company A saves money on an inferior product and we, as suppliers, lose the investment we made. Over time, this tacit acceptance of poor quality for a good price leads to poor morale, high staff turnover and low customer satisfaction, and infects an entire organisation.

What can be done? Would external audits of performance help provide some industry standard?

● **Training of procurement staff:** It seems deeply unfair to expect procurement staff to know the merits of a digital magazine as well as a piece of pipeline and some intricate electronic device with tight tolerances. Who trains procurement staff?

Some of them are patently over-extended, and this often leads to them falling asleep during tender presentations or, judging by their questions, being totally unfamiliar with the subject matter in general and the tender specifically.

What can be done? Deciding to whom multimillion-rand contracts should be awarded demands seniority and oversight. The crux: if these anecdotes sound like a plaintive, petulant refusal to play by the grown-ups' rules, consider that they are a

symptom of the following:

● **"Do you want the work bad enough?"** Is a disingenuous response. The issue is whether a government department wants a good product badly enough to allow the contractor time to produce a good product. If not, it says a substandard product is acceptable because it is too much hassle to allow time for a better one.

● **Procurement tears risk appearing to be fearful of fresh ideas and stiff competition.** The blunt truth is that a winning nation demands competition, not holding hands crossing the finish line together.

● **A crucial problem with the tender system is that there is generally zero feedback on why tenders are not won.** This provides no potential for growing your business, improving your skills set and increasing your market share.

● **Yes, the budget is the proverbial bottomline, but if suppliers don't try and uphold standards who will? How will we be able to compete against China, Korea or India in the years to come?**

● **As an emerging economy, we can learn from the trial and error of others and leapfrog to international best practice.**

It's our firm belief that these problems demand urgent attention. We would be honoured to be part of any discussion to fix equitable solutions for business and SOEs

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