



Brian Farrington Limited
Procurement and Business Solutions People
January 2005 Newsletter

2005!

We wish all our readers a very happy New Year. We sincerely trust that you will achieve all your personal and business goals.

Tender Evaluation Criteria.

We believe everyone will agree that the successful tenderer should be the organisation who wins on merit, not as a result of some perverse, biased process.

The process should stand scrutiny and all decisions should be visible. Our experience tells us that, unfortunately, this is not always the case.

The criteria should be set prior to the issue of tenders. If it is appropriate, weightings should be agreed and the scoring protocol agreed. We did hear it argued that none of this can be done until the tenders were received, because only then would the different issues be visible. This is an unacceptable piece of logic.

When the criteria are being determined, careful thought should be given to how it will be evaluated. Will it be evaluated on qualitative or quantitative grounds? An example of potential difficulty is the criterion, 'Feasible innovations offered.' Who will evaluate this? If it is an innovation, how will it be found to be feasible? Another criterion is, 'Approach to the provision of the services.' What does this mean? What is an approach and how many elements to this are there? Is it is technical point or a commercial point?

Assuming the criteria are established are they going to be passed to tenderers.

Our research shows that this is unlikely. We have been unable to establish the logic for this. Perhaps the worry is that if the supplier knows the criteria they can tailor their response accordingly. Yes, they can, but isn't that going to be helpful?

What happens if there is an objection to contract award? This is sometimes done and has visibility in the public sector.

If the buying organisation is guilty of incorrect tender evaluation they can be fined.

Suppliers put a great deal of effort into tenders and are right to believe that the tender will be considered openly and with due regard to professional conduct. The balance between technical and commercial features is essential.

Major projects.

We have been evaluating a major project audit report on a railway project. It raises significant points that keep recurring.

The project has come at a considerably higher price than originally expected.

It is very late as the development/design took longer than planned.

Contract costs have increased by 24%.
Total project costs have increased by 17%.

Value for money is always a contentious point.

The recommendations included:

Review the adequacy of liquidated damages included in contracts.

Have a standard Escrow arrangement for relevant intellectual property owned by the Contractor.

Further review the level of specification in performance based contracts occurring in train purchase tenders.

Continue to assess the benefits and risks of its train maintenance arrangements.

Further avoid potential for perceived conflicts of interest in the use of probity advisers by limiting the use of the same advisers in other review work on the same project.

Are there any surprises here? We suspect not. It is a fact that many projects are one-offs for the organisation who lack the obvious benchmarking about

what they are letting themselves in for. Many projects run over on cost and time, but the accountability for this always seems difficult to pin down. The cynical view is that contractors know more funds will be found. They also know that on far too many projects the impact and influence of procurement will be negligible.

The creation of an effective project team with appropriate technical and commercial expertise takes a great deal of effort. Selection on the basis of who is available is not the way forward.

Purchase research.

This was, once, a fashionable activity within procurement departments. It now seems that it has become part of a buyers' job. We think this is a flawed approach.

Research conducted diligently and methodically, is a skilled task. It can give a tremendous return on the capital employed.

We recall an international airline with a purchase research operation in the Far East. It was their accountability to research the Far East supply markets for products and services.

The development of a procurement strategy should be founded on expert knowledge of the supply markets with which purchasing is engaging with. How else do we demonstrate that we have the correct strategy and that we have found the most effective suppliers in that market?

Purchase research is an area that many procurement departments would be advised to visit this year.

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The newsletter will also be posted on our website.