



# TENDERING: KILLING INNOVATION AND CREATIVITY?

## ABSTRACT

Historically there have been numerous barriers standing in the way of small and medium-sized enterprises (SMEs) when it comes to bidding for government tenders. While often very publicly and actively encouraged to apply, the reality is that for many small businesses, the tender process itself provides the single largest barrier. For those who do apply, the prescriptive nature of the process sees any thoughts of innovation and creativity quickly extinguished. The net result is a loss of new ideas and new ways of doing things that are borne not just by SMEs but by the missed opportunities for the tendering organisations and ultimately for Australia.

## SEAANZ

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## BACKGROUND

Tendering is a process that takes place to provide a transparent selection process that is based on objective criteria. It is most important in organisations that are exposed to a degree of public scrutiny from stakeholders (Dalrymple, Boxer & Staples, 2006 p.71)<sup>1</sup>.

Transparency, accountability, and cost saving are central tenets of the tendering process but the former two seem to have been well and truly lost with the bland and banal reasons often provided to those who fail to win a tender. If such centrepieces of the reason for tendering can be lost, it seems timely to look at the whole process.

## WHAT IS A TENDER?

A tender sets out the prescribed requirements of a program and defines the terms, conditions, costs, locations, and delivery timeframes. Sometimes the tender will also include pricing caps on essential elements of the tender or even for the entirety of the proposed program. Invariably the tender is prescriptive. The design of the program will align with what has always been done in the past or what, in the mind of the writer, is needed.

The tender then goes out to market. To the experts. To those that have had no opportunity to contribute to the conversation. No ability to highlight what their experience tells them is the true need. No ability to question whether the prescribed approach is the best approach.

Further, the writer of the tender has rarely worked at the coalface or seen the direct impacts, issues and challenges that the tender seeks to address. They

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<sup>1</sup> Dalrymple, J., Boxer, L., & Staples, W. (2006). Cost of tendering: Adding cost without value. Chapter 9 in Brown, K., Hampson, K., & Brandon, P. *'Clients driving construction innovation: Moving ideas into practice'*. CRC for Construction Innovation.

will naturally focus on what they see as the problem to solve, and this description will already then set up a desired solution – with no other interpretations of the problem.

The end result is that the resulting call for tenders is invariably an oxymoron – as Duval (2016)<sup>2</sup> sums up, a call that says *'Dear providers, dear suppliers, surprise us with price and performance but with proposals and solutions without risks and therefore without innovation'*.

## THE 'DEAD SEA' OF TENDERING

The irony of tendering is, that while many contracts say they want innovation, the process is actually biased against the most innovative bidders. For many SMEs, the procurement process itself leads to what Webster (2018)<sup>3</sup> calls '[the Dead Sea effect](#)', where the most talented and effective simply seem to 'evaporate'.

Just in case anyone thinks this is an overstatement, a recent review of innovation and procurement in the UK public sector found that “that best practice is not shared across public bodies, that procurement processes are transactional rather than collaborative, and that public bodies prefer large 'turnkey' solutions as opposed to more flexible approaches with modular components<sup>4</sup>.

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<sup>2</sup> Duval, M. (2016) The Tender Process is an Innovation Kill! <https://nextstart.fr/en/2016/11/26/le-processus-dappel-doffres-est-un-tue-linnovation-par-m-duval/>

<sup>3</sup> Webster, B. (2008) [The Wetware Crisis: the Dead Sea effect](http://brucefwebster.com/2008/04/11/the-wetware-crisis-the-dead-sea-effect/)  
<http://brucefwebster.com/2008/04/11/the-wetware-crisis-the-dead-sea-effect/>

<sup>4</sup> Phillips, W. (2022) How public procurement can remove barriers to innovation  
<https://www.cips.org/supply-management/news/2022/may/how-public-procurement-can-avoid-limiting-innovation/>

Added to the above is the notion of cost for the SME. As Alali (2017)<sup>5</sup> notes, for most SMEs, responding to a tender request is a huge undertaking where they will potentially lose “money twice. Once for the time taken on the bid, which cannot be used on client work, the other when they lose.” Estimates for the time taken to write a tender vary between 45-80 hours and statistics tell us SMEs generally only win 1 of every 14 tenders they apply for.

## So, What to Do?

We suggest that it's actually quite simple. What if we reverse engineered the process? What if we listened first to the impacted? Then to the experts, the industry and those with experience on the front line in service and support for the sector.

What if we started with a clean slate and asked these key stakeholders what could be done, rather than telling them what they need to do and how. It is a view widely supported by those who research public sector administration - see for example Lenderink, Halman and Voordijk, (2019)<sup>6</sup>, Reeves' (2013)<sup>7</sup> study of Irish local government or Dalrymple et al's (2006)<sup>8</sup> examination of the Australian construction industry, appropriately titled “Cost of tendering: adding cost without value”.

We know that one of the constraints is that Governments have budgets. They know what their financial limits are and what they have allowed or allocated to a program. Understandably they want and need to get the

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<sup>5</sup> Alali, E, (2017) Tender Irony: Barrier to Innovation is Innovation?  
<https://medium.com/tech-sojourn/tender-irony-barrier-to-innovation-is-innovation-1594752d4dd4>

<sup>6</sup> Lenderink, B., Halman, J. I., & Voordijk, H. (2019). Innovation and public procurement: from fragmentation to synthesis on concepts, rationales and approaches. *Innovation: the European journal of social science research*, 1-25.

<sup>7</sup> Reeves, E. (2013). The not so good, the bad and the ugly: Over twelve years of PPP in Ireland. *Local Government Studies*, 39(3), 375-395.

<sup>8</sup> Dalrymple, J., Boxer, L., & Staples, W. (2006). Cost of tendering: adding cost without value. Chapter 9 in Brown, K., Hampson, K., & Brandon, P. (2006). *Clients driving construction innovation: Moving ideas into practice*. CRC for Construction Innovation

best return on their investment. But is a prescribed tender and a bidding war the best way to achieve it?

Instead, let's start with the budgeted figure and ask, what can you, the experts, deliver for that. The suspicion by Government would be that the tendering organisation would pad their figures knowing that there is a fixed figure available.

The reality is the opposite:

- Tendering organisations know that there are other tendering organisations.
- They also know that they need to create a program that achieves results both in terms of outcomes and return on investment for both parties.

As a result, they will think differently. They will propose different ideas and explore alternate pathways.

## How About ...

What about the notion of the co-creation of a solution? How about the possibility to propose to organize differently to allow to co-create new approaches? Some may even seek to partner with organisations that are better at some elements than they are. If they know that they have a finite budget to work with and that they can lead a more rounded offer through partnering, the overall outcomes as well as their personal reputations will all be enhanced.

Tendering organisations know the sectors they serve. Governments don't. Governments know that the sector is challenged or facing disaster or needing help, but they don't know the sector, its nuances, its relationships, supply chains, staffing issues, markups, margins and frustrations. They don't know the acumen of the people seeking help or what they have been through before or now face going forward. Governments haven't cried with a partner about

impacts and lost sleep over what they can do. Governments don't lose their house, their relationships, their confidence... or worse.

Tendering organisations live and breathe the sector they serve. They have run the businesses, cried through the challenges, fallen in potholes and learnt the tricks to pull themselves out. They understand what is needed and by what method it should be delivered.

Tendering organisations also understand that their role is at times to triage. Through the programs they offer, they seek to identify if there are wellness, mental health, imminent disaster or other issues in play.

By allowing the Tendering organisation to define the componentry of their offers, a broader offer that can address challenges as they arise or that can include elements that would not have been embraced in a Government prescribed offer, can be included.

The best will also likely to respond with enthusiasm to questions such as '*How will you drive innovation during the term of the contract if you win?*'.

## SUMMARY

In the last few years the country, its people and its businesses have faced challenges like never before. The solutions must equally be like never before. They must be nuanced and respectful and targeted. They must be delivered in a way that the recipients want to receive them and they must be delivered by the best at delivering. Not the cheapest nor necessarily by those that can deliver against the same criteria as has always been offered, but by the creatives, the leaders and those that have lived experience.

The UN Economic Commission for Europe (ECE)<sup>9</sup> is already leading the way with their 2021 report noting that public procurement accounted for 10-15% of GDP on average in most countries and recommending that “innovation-enhancing procurement” – or IEP – “should be considered as a strategic policy tool”. A key way to achieve this is the recommendation to a shift from “defining detailed parameters” to allowing suppliers “the space to propose solutions according to strategic goals”.

This moves tendering from being seen and treated as an administrative task to one where the focus on innovation to a strategic one. The end game for both Government and Tendering organisations alike, is for programs to achieve results. The ability to do so would be substantially improved if we gave those that will deliver, the chance to create, to invent, to design better solutions. Remaining with the status quo and failing to address the issues noted above is summed up well by Haley, Dumitriu and Babu (2022 p.2)<sup>10</sup> as one where “forgoing innovation inevitably means forgoing efficiency savings and opportunities to improve public services.”

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<sup>9</sup> Economic Commission for Europe (2021) Building Back Better: Innovation-enhancing Procurement for Sustainable Development [https://unece.org/sites/default/files/2021-05/ECE\\_CECI\\_2021\\_5\\_2103936E.pdf](https://unece.org/sites/default/files/2021-05/ECE_CECI_2021_5_2103936E.pdf)

<sup>10</sup> Haley, C., Dumitriu, S. and Babu, A. (2022) Briefing paper: Procurement and Innovation <https://static1.squarespace.com/static/58ed40453a04116f46e8d99b/t/6288d4a5e1a7ce73c7ad7073/1653134505681/Procurement+and+Innovation.pdf>