

## Tender Tip

# The 5 Minute Tendering and Contracting Health Check

Over the last few years the procurement function has become much more recognised for its close link to company performance.

Strong procurement, through effective tendering and contracting, leads to securing of important service and material inputs and helps drive bottom-line benefit through achieving the lowest total cost of those inputs. This cost focus is especially important when times get tight. So procurement, which once languished in the shadows of other functions and professions, is now standing up and being counted! **But** this growing recognition leads to heightened performance expectations. So how well are the tendering and contracting parts of your procurement function going? Ask yourself the following 10 (Yes/No) questions. Be honest with your answers!

- 1. Spend.** Do you know how much your company spends - and on what?  
(This means all the expenditure right down to petty cash.)
- 2. Overall proportion of costs.** Do you know what proportion of COGS and overheads are made up of purchased goods and services?
- 3. Number of suppliers.** Do you know how many active suppliers you have and how many supply contracts are in place?
- 4. Supplier performance.** Have you formally reviewed the performance of your top 20 suppliers and/or contracts in the last year?
- 5. What is important.** Do you know which of your purchased goods and services are most important to work out your top 20 suppliers?

- 6. Market intelligence.** Do you know what is happening in the markets that your top suppliers operate within? (Hint - are their input costs rising or falling? Is demand changing?)
- 7. Standard processes.** Do you employ standard processes and tools for purchasing goods and services - especially your tendering and contracting activity?
- 8. Process efficiency.** Are you satisfied that your procurement processes, especially contracting and tendering, are as efficient as they could be?
- 9. Position descriptions.** Do staff performing tendering and contracting roles fully understand what they are expected to do?
- 10. Competence.** Are your tendering and contracting staff fully competent in all aspects of their roles?

### How did you go?

If you answered mostly "Yes" then well done you are across key tendering and contracting issues - keep up the momentum.

If you have about the same amount of "Yes" and "No" answers you obviously understand the importance of tendering and contracting are well positioned to accelerate your performance.

If you have mostly "No" answers then you have now taken your first step toward a better tendering and contracting future!