

Don't forget the handshake

As consultants we are frequently asked to help Clients tender for capital equipment and IT systems. These can often involve large sums of money and can be quite stressful experiences if not managed appropriately.

There are numerous approaches to tendering. At one extreme we have the gentleman's handshake where the process is about building trust and confidence that the supplier is going to do their best for the client and that the client is going to treat the supplier well in return. This approach is rarely seen now in this country although it is more prevalent in Germany where there are many more privately owned, sizeable companies less encumbered by the oversight of shareholders and 'the city'. At the other extreme we have the traditional procurement professionals whose main aim is to gain maximum commercial advantage for the customer no matter what.

Both of these are to some extent caricatures and they can work but are not immune from difficulty. The gentleman's handshake approach often results in very successful, high quality projects - but at a price. The procurement approach may have the lowest initial cost but often results in the supplier cutting corners to recover the margin that he has had to negotiate away resulting in additional cost to both customer and supplier putting matters right.

When helping clients tender for a project we at The Logistics Business try to follow a middle ground that maximises the chance of success at the lowest overall lifetime cost. It is founded on a number of principles some of which are described below :-

- ↳ The Customer should have ownership of the concept and be as clear and open as possible about describing it.
- ↳ The supplier should have ownership of the detail design of the solution and be given the flexibility to adapt the design to maximise the advantages that his particular products or systems can offer.
- ↳ We are all a product of our past experiences and it is right that a tender document should cover all of the factors that we have experienced problems with in the past.
- ↳ Don't involve too many suppliers and do not ask anyone to quote who you have no intention of giving the business to. It is not appropriate to ask some suppliers to quote simply to provide competitive prices to beat the preferred supplier up with. Most suppliers will realise that is what is happening and will make sure the industry

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is aware that you are involved in such practice. Remember – suppliers talk to each other.

- ↳ Allow suppliers to make a profit out of working for you otherwise they won't be there in the future to support you.
- ↳ On the other hand make sure the tender documents make absolutely clear that you expect the supplier to do everything that he has offered and that you looking for a complete solution. Suppliers always know that they can earn much better margin from variations and some will be tempted to exclude certain items so that they can charge more for them later.
- ↳ In a similar vein try not to change your mind. It will usually be expensive.
- ↳ Be clear up front about how rigorous your inspection and testing requirements will be. It will be harder to get later agreement if you have particularly rigorous requirements.
- ↳ Make sure that the aspects you care about are clearly articulated in the tender documents rather than relying on the contract or commercial terms. All that will do is keep the lawyers busy for years.

Finally and most important of all create an environment where you can build a relationship between customer and supplier. Successful projects are always founded on good relationships. That doesn't mean that either side cannot challenge each other but it does mean that such challenges will be fair and in the interests of a successful project.

Oh and don't forget the handshake!

This is not an exhaustive list of must do's. If you are about to embark on a new project and would like help with tendering please do not hesitate to contact us.