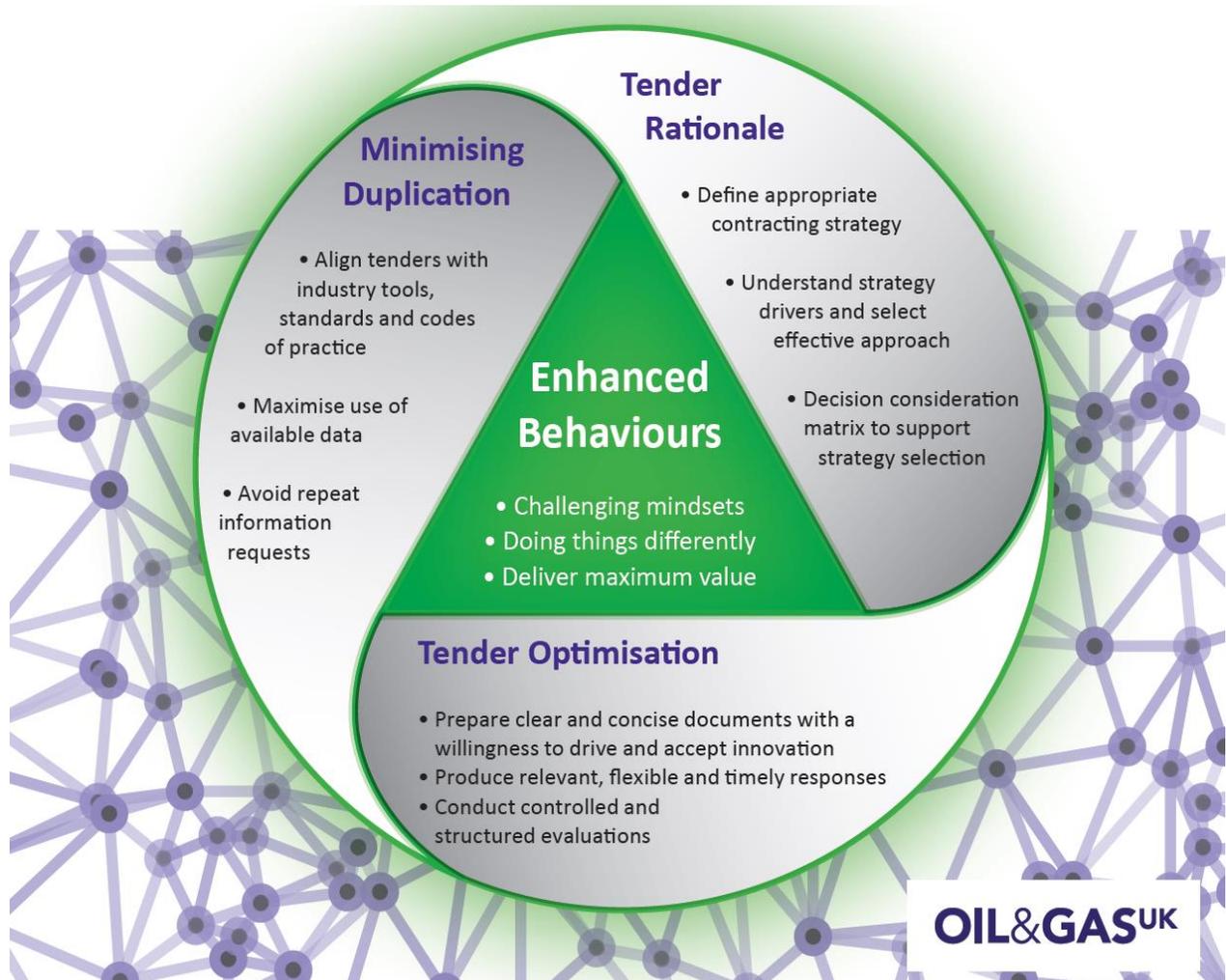


## Tender Efficiency Framework





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## Introduction

Analysis conducted by the Efficiency Task Force (ETF) Tender Efficiency Work Group suggests that savings of 12 to 15 per cent on the cost of industry tender response development, or £25 million per year, would not be unrealistic. The relationships between purchaser and supplier companies will form a key part of realising these savings, achieved through **tender optimisation, minimising duplication** and improvements in **tender rationale**, all of which will require **enhanced behaviours**.

The work group, comprising several purchaser and supplier companies, has collaborated to develop information and recommendations in line with these themes which, if implemented across the supply chain, will help industry to realise this potential.

## The case for change

There are significant costs associated with tender activity, both for purchasers in developing, issuing and evaluating, and for suppliers to review and respond to a tender. Ultimately, it is in the interests of both purchasers and suppliers to reduce the costs associated with the tender process. Through driving out inefficiencies, companies can minimise associated costs and reduce the level of frustration within the supply chain created by the selection a sub-optimal tendering strategy.

To create full awareness, the purchaser should fully consider the costs incurred by the supplier as well as the internal costs associated with tender preparation and analysis. To ensure maximum value, the purchaser should aim to minimise the cost of associated tender responses by reducing the burden of unnecessary requests.

The tender process for an oil and gas project can create a cascade of additional tendering throughout the supply chain tiers, as the major cost components of the project are identified and costed, to allow the final bid to be prepared. These internal and external costs should be fully considered by the purchaser, and appropriate steps taken to reduce them.

It is in the best interests of maximising economic recovery from the basin for purchasers and suppliers to drive improvements throughout the tender process.

## Tender rationale

### Define appropriate contracting strategy

Tendering is, in general, the default position for many purchasers to meet their sourcing needs. However, 'best practice' purchasers always assess the most appropriate approach to follow when faced with contracts that are about to expire, based on contingent circumstances and robust business cases. Creating the right sourcing strategy can reduce tendering costs for both purchasers and suppliers whilst ensuring that business is conducted ethically, professionally and efficiently to obtain the best possible results.



## Understand strategy drivers and select effective approach

To support the strategy development, purchasers should consider the drivers that will determine the chosen strategy. These include (but are not limited to):

- internal and external costs associated with tendering
- costs associated with changing the supplier
- transition requirements
- historical performance of the supplier
- transparency of existing contract rates
- market dynamics – supply and demand
- TUPE considerations
- leverage, technology and understanding of scope

## Decision consideration matrix to support strategy selection

Decision analysis can assist the purchaser in the sourcing strategy process, taking into consideration all contingent circumstances to ensure the correct strategy is selected and implemented, and to reduce inefficiency through better understanding of the business drivers for each specific sourcing requirement<sup>1</sup>. The three primary sourcing strategies are:

- Tender
- Single, or sole source
- negotiate contract extension

## Tender optimisation

### Prepare clear and concise documents with a willingness to drive and accept innovation

During the project definition and scoping phase, the purchaser should ensure that the scope of work is clear and fixed and the level of willingness to consider alternative methodologies is effectively communicated. The supplier should evaluate the ability to respond to the base scope and the advantages of submitting an alternative offer.<sup>2</sup>

When selecting shortlists for the tender process, the purchaser should maximise the use of existing First Point Assessment Ltd. (FPAL) information and should consider the capabilities of, and relationships with, suppliers.

When requesting information, the purchaser should avoid duplicate information requests through use of FPAL and FPAL Verify information and evaluation of data from previous submissions from suppliers. Full consideration should also be given to low cost submission formats.

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<sup>1</sup> A proposed Procurement Strategy Selection Matrix is available at:

<http://oilandgasuk.co.uk/wp-content/uploads/2016/12/Procurement-Strategy-Selection-Matrix.pdf>

<sup>2</sup> A proposed Tender Optimisation Matrix is available at:

<http://oilandgasuk.co.uk/wp-content/uploads/2016/12/Tender-Optimisation-Matrix.pdf>



## Produce relevant, flexible and timely responses

The purchaser should allow sufficient and reasonable time to submit a tender response. Suppliers should consider all internal reviews and approvals that may be required and the time required to print and deliver or upload the documentation.

Purchasers and suppliers should consider whether pre-tender meetings or scope presentations would be beneficial to all parties to ensure full understanding of requirements from the start of the process.

Tender documentation should be relevant to the scope of work. Both purchaser and supplier should consider how any amendments to original documentation impacts scope of work.

All parties should also ensure flexibility in terms of contractual risk management.

## Conduct controlled and structured evaluations

The purchaser should ensure tenders are evaluated against structured criteria, which should be set prior to the issue of tender documents. Suppliers should ensure tender responses meet the specified criteria.

Any amendments made during the clarification period should be assessed for impact, as it may not align with the original strategy.

Following the completion of the tender process, all parties should retain appropriate levels of general tender information for re-use in future enquiries.

## Minimising duplication

### Align tenders with industry tools, standards and codes of practice

To drive efficiencies throughout the process, purchasers should maximise the use of available data and standard industry tools.

Oil & Gas UK and FPAL monitor the format of Invitations to Tender (ITTs) being used in the industry via a standard questionnaire, available through FPAL<sup>3</sup>. This questionnaire should be:

- Issued along with all ITTs
- Available to suppliers to complete in instances where the questionnaire does not accompany an ITT.
- Completed and returned to Oil & Gas UK ([efficiency@oilandgasuk.co.uk](mailto:efficiency@oilandgasuk.co.uk)) following the completion of a tender process

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<sup>3</sup> The tender feedback form can be accessed at:  
<http://www.achilles.com/images/pdf/communitypdfs/FPAL/Achilles-FPAL-supplier-Elimination-of-Duplication-Letter-Questionnaire.pdf>



Oil & Gas UK will collate feedback from suppliers which will be fed back to relevant purchaser organisations on a confidential basis. This feedback should be used to further streamline company processes.

Senior management should take an active role in increasing the use of ITTs that make appropriate use of FPAL. This includes ensuring that all departments within their organisation use the same ITT and request for quotation (RFQ) templates provided by their contracts and purchasing function.

## Maximise use of available data

When assessing a supplier's capability, purchasers should always consider what supplier data is available from FPAL and FPAL Verify in the first instance. This includes the registration and advanced registration data, supplier performance feedback and other notable data such as recognised accreditation, Verify audit reports and HSE lagging indicators. Internal data gathered from previous tender submissions, supplier audits and contract performance reviews are also a key source of information to be considered during any stage of the tender process.<sup>4</sup>

Suppliers should keep their FPAL records valid and up to date. As a minimum this requires responding to the annual data validation request issued by FPAL. Suppliers are encouraged to refer purchasers to their FPAL registration data if duplicate information is requested.

## Avoid repeat information requests

Purchasers should, wherever possible, avoid requesting general information from suppliers where the same information has been recently provided, either through a prequalification questionnaire, RFQ or previous tender. This information typically includes general business and financial data but may also include health, safety, environment and quality (HSEQ), ethics and corporate social responsibility. Purchasers should also fully consider the relevance of the technical information being requested with respect to the scope of service or supply and risk to the purchaser.

## Enhanced behaviours

Our culture and behaviours underpin everything we do. Due to the current challenges being faced by industry, it is important that the need to drive sustainable improvements in industry performance is kept at the forefront of company minds, embedding this in company cultures. The Industry Behaviours Charter outlines a set of commitments which underpin the behaviours industry should adopt to help it realise its potential:

1. Be an early adopter of efficiency initiatives and new technology, sharing learnings with others
2. Provide access to decision makers through a specific, fast access point, in order to escalate issues
3. Strengthen industry co-operation through continual improvement in and support for, industry codes of practice, forums and standards

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<sup>4</sup> A sample standard ITT letter, emphasising that full use will be made of available data, is available at: <http://oilandgasuk.co.uk/wp-content/uploads/2016/12/Sample-Invitation-to-Tender-Cover-Letter.pdf>



4. Contribute to performance improvement by ensuring transparent and time-bound legal, commercial and contractual engagements
5. Commit to continuous improvement

## Challenging mindsets

Although it is acknowledged that companies have different internal processes and procedures, driving efficient cross industry working practices and 'fit for purpose' solutions, as opposed to a 'one size fits all' approach to tendering, should be encouraged. In order to realise any potential efficiencies, companies should challenge the pre-existing mindset regarding current tendering processes. A key aspect of this is the awareness of the time, effort and cost required to complete tender activities, both internally and across the entire supply chain.

Industry should adopt a different approach, as outlined in the Industry Behaviours Charter, as opposed to the sometimes-adversarial purchaser and supplier relationships, long drawn out tender processes and regurgitated pricing. Companies should challenge unnecessary spend, administration waste and over-specification in the way they conduct business.

## Doing things differently to deliver maximum value

The default approach to tender for every new requirement should be questioned. Purchasers should consider the most effective way of approaching market enquiries and whether tendering will offer the best value for the business.

In some cases, it may be more cost-effective and value-adding to adopt a different approach to tendering, for example by seeking cost optimisation, or through validating the value and competitiveness of existing arrangements. This may be through a strategic, lighter touch approach, or by looking at, and building upon, an existing relationship.

This type of behaviour encourages the utilisation of existing tools and available documentation, but also challenges industry to question its actions when considering tendering, or responding to a tender request.



## Further Links and Information

Tender Efficiency Framework Summary (<http://oilandgasuk.co.uk/etf-toolkit.cfm>)

FPAL ([www.fpal.com](http://www.fpal.com))

Efficiency Task Force Toolkit (<http://oilandgasuk.co.uk/etf-toolkit.cfm>)

Supply Chain Code of Practice (<http://oilandgasuk.co.uk/supplychaincodeofpractice.cfm>)

Industry Behaviours Charter (<http://oilandgasuk.co.uk/industry-behaviours-charter.cfm>)

FPAL Tender Gap Analysis Service (<http://oilandgasuk.co.uk/wp-content/uploads/2016/12/FPAL-ITT-Data-Availability-Review.pdf>)

LOGIC Standard Contracts (<http://www.logic-oil.com/standard-contracts>)