Tendering Process

Stages, key tasks, inputs and outputs

**Stage 1: Requirement Identification and Planning**

Key Activities:

1. Needs Assessment: Identify the items or services required, whether it’s office stationery or major oil rigs.
2. Specification Development: Develop detailed specifications and standards for the required items or services.
3. Budget Approval: Obtain approval for the budget from the relevant departments.

Inputs:

1. Internal requisition forms
2. Technical specifications and standards
3. Budget forecasts and constraints

Outputs:

1. Detailed purchase requisition
2. Approved budget and specifications

Checks and Balances:

1. Approval Workflow: Ensure the requisition is reviewed and approved by relevant departments.
2. Specification Validation: Cross-check specifications with stakeholders to ensure accuracy and completeness.
3. Budget Review: Verify that the budget aligns with financial forecasts and constraints.

Conditions for Loopback:

1. Change in Requirements: If the needs change significantly after initial approval, the process may return to reassessing requirements.
2. Budget Revisions: If the budget is found to be inadequate or needs adjustment, revisiting the planning stage is necessary.

Example: A change in production plans requires additional equipment, prompting a reassessment of requirements and budget approval.

**Stage 2: Supplier Identification and Pre-qualification**

Key Activities:

1. Market Research: Conduct market research to identify potential suppliers who can meet the specifications and standards.
2. Supplier Pre-qualification: Assess the potential suppliers based on their financial stability, past performance, and compliance with industry standards.
3. Supplier Database Update: Maintain and update a database of pre-qualified suppliers.

Inputs:

1. Market research reports
2. Supplier profiles and qualifications
3. Industry standards and benchmarks

Outputs:

1. List of pre-qualified suppliers
2. Updated supplier database

Checks and Balances:

1. Supplier Vetting: Conduct thorough background checks and assessments of supplier qualifications.
2. Compliance Checks: Ensure suppliers meet industry standards and regulatory requirements.
3. Financial Health Assessment: Review suppliers’ financial stability to mitigate risks of non-performance.

Conditions for Loopback:

1. Insufficient Suppliers: If the pre-qualification process identifies an inadequate number of capable suppliers, the process may return to market research.
2. Non-compliance Issues: Discovery of compliance issues with a potential supplier may necessitate reevaluation of the supplier list.

Example: A key supplier fails the financial health assessment, requiring the procurement team to identify additional suppliers.

**Stage 3: Tendering Process**

Key Activities:

1. Preparation of Tender Documents: Prepare comprehensive tender documents, including terms and conditions, technical specifications, and evaluation criteria.
2. Invitation to Tender: Issue invitations to tender to the pre-qualified suppliers.
3. Bid Clarification Meetings: Conduct meetings to clarify any doubts or questions from the suppliers regarding the tender documents.

Inputs:

1. Approved purchase requisition
2. Detailed specifications and standards
3. List of pre-qualified suppliers

Outputs:

1. Tender documents
2. Record of invitations sent
3. Minutes of bid clarification meetings

Checks and Balances:

1. Document Review: Ensure all tender documents are accurate, complete, and clear.
2. Transparency: Maintain a transparent process for issuing invitations and handling queries.
3. Conflict of Interest: Monitor for and mitigate any conflicts of interest.

Conditions for Loopback:

1. Ambiguities in Tender Documents: If significant ambiguities or errors are found in the tender documents, they need to be revised.
2. Supplier Feedback: Feedback from suppliers indicating unclear or impractical requirements may require document updates.

Example: Suppliers point out inconsistencies in technical specifications, prompting a revision and reissue of tender documents.

**Stage 4: Tender Evaluation**

Key Activities:

1. Bid Receipt and Opening: Receive and securely open the bids in a transparent manner.
2. Technical Evaluation: Evaluate the technical aspects of the bids to ensure compliance with the specifications.
3. Commercial Evaluation: Evaluate the commercial aspects, including price, payment terms, and delivery schedules.
4. Risk Assessment: Identify and assess any risks associated with each bid, such as financial stability, delivery capabilities, and compliance with regulations.

Inputs:

1. Received bids
2. Evaluation criteria
3. Risk assessment framework

Outputs:

1. Technical and commercial evaluation reports
2. Risk assessment report
3. Shortlist of preferred bids

Checks and Balances:

1. Bid Opening Procedures: Follow strict protocols for opening and recording bids to ensure fairness.
2. Evaluation Committees: Use diverse committees for technical and commercial evaluations to ensure objectivity.
3. Risk Assessments: Conduct thorough risk assessments for each bid.

Conditions for Loopback:

1. Non-compliant Bids: If none of the bids meet the technical requirements, the tender may need to be reissued with clearer specifications.
2. Unrealistic Proposals: If the commercial proposals are unrealistic or exceed budget constraints, reevaluation or negotiation may be required.

Example: All received bids exceed the budget significantly, requiring a return to the negotiation stage or reassessment of the requirements and budget.

**Stage 5: Final Selection and Contract Award**

Key Activities:

1. Negotiation: Negotiate with the shortlisted suppliers to optimize terms and conditions.
2. Final Selection: Select the supplier that offers the best value for money, considering both technical and commercial evaluations.
3. Contract Preparation and Award: Prepare and award the contract, ensuring all terms and conditions are clearly outlined and agreed upon.

Inputs:

1. Evaluation reports
2. Negotiation outcomes
3. Legal and compliance requirements

Outputs:

1. Signed contract
2. Notification to unsuccessful bidders

Checks and Balances:

1. Contract Review: Ensure legal and regulatory compliance of the contract.
2. Final Negotiations: Conduct final negotiations to optimize terms and address any remaining concerns.
3. Approval Process: Obtain necessary approvals from senior management and legal departments.

Conditions for Loopback:

1. Unresolved Negotiations: If final negotiations with the selected supplier fail, it may be necessary to consider the next preferred bid or revisit the evaluation stage.
2. Contractual Issues: Discovery of critical contractual issues that cannot be resolved may require revisiting the tendering process.

Example: The selected supplier cannot agree to critical terms, prompting consideration of alternative suppliers or reevaluation of the tender.

**Stage 6: Risk Identification and Management**

Key Activities:

1. Risk Identification: Identify potential risks throughout the procurement process, including financial, operational, and compliance risks.
2. -Risk Mitigation Planning: Develop and implement plans to mitigate identified risks.
3. Monitoring and Review: Continuously monitor and review the procurement process to identify new risks and assess the effectiveness of mitigation measures.

Inputs:

1. Risk assessment report
2. Supplier performance data
3. Regulatory compliance guidelines

Outputs:

1. Risk management plan
2. Risk monitoring reports
3. Lessons learned documentation

**Stage 7: Post-Purchase Review and Performance Evaluation**

Key Activities:

1. Delivery and Inspection: Ensure that the purchased items are delivered on time and meet the required specifications.
2. Supplier Performance Evaluation: Evaluate the performance of the supplier based on delivery, quality, and compliance.
3. Feedback and Continuous Improvement: Provide feedback to suppliers and use performance data to improve future procurement processes.

Inputs:

1. Delivery notes and inspection reports
2. Supplier performance data
3. Feedback from internal stakeholders

Outputs:

1. Supplier performance evaluation report
2. Feedback documentation
3. Continuous improvement action plan

Checks and Balances:

1. Continuous Monitoring: Regularly monitor supplier performance and contract compliance.
2. Risk Reviews: Conduct periodic risk reviews to identify and mitigate emerging risks.
3. Contingency Plans: Develop and update contingency plans for potential disruptions.

Conditions for Loopback:

1. Emerging Risks: Identification of new risks that significantly impact the procurement process may require revisiting previous stages to address these risks.
2. Supplier Non-performance: Significant non-performance by a supplier may necessitate re-evaluation of suppliers or re-tendering.

Example: A supplier’s financial instability is discovered during contract execution, necessitating a re-evaluation of supplier options.