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Issued 2015

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The Healthy **AGENCY-SUPPLIER** Relationship Guide.

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The Healthy Agency-Supplier Relationship Guide

NIGP Business Council: Who we are.

NIGP's Business Council is composed of representatives from each company participating in the Institute's Enterprise Sponsor Program. Enterprise Sponsors span a wide range of products and service categories and are leaders in their respective industries and have demonstrated a shared commitment to NIGP's values: Accountability, Ethics, Impartiality, Professionalism, Service, and Transparency.

The mission of the Business Council is to

Serve the NIGP membership and procurement profession through the sharing of resources and business expertise in support of NIGP's educational, research and advocacy mission.

In essence, the Business Council connects the supplier's perspective with the public procurement community and is dedicated to improving the buyer/supplier relationship.

White papers represent one of the ways in which the Business Council supports the educational mission of NIGP.

May 28, 2015

Public Practitioners, Suppliers, and interested Readers,

It's been another great year of progress and collaboration between the NIGP Business Council and our Public Procurement Partners. Since the release of the last white paper, "Everybody Wins", we've participated in 15 local and regional NIGP chapter events around the country, continuing the conversations that we started at Forum.

When we initiated the planning process for the 2015 White Paper topic, we once again were able to draw upon the experience of our public procurement experts and the business savvy of our industry partners. The topics that came up repeatedly, all revolved around relationships; after all, procurement is a business of people.

This year's white paper, titled, "The Healthy Agency-Supplier Relationship Guide" is divided into three parts. The first section focuses on Non-contract Relations and Activities, the second stage or section addresses Bid Interactions, and in the third section, we discuss Contract Holder Relations. In each, we've provided examples of activities or processes that have worked well for others, and call upon experts to provide their own perspective. Similar to last year, we've included a few takeaway reference guides, that summarize the information, for you to use in your own planning processes or discussions. We hope you find the information and tools useful as you look to improve and elevate the value and effectiveness of your relationships.

It is an honor and privilege to serve as the NIGP Business Council Chair and to have the opportunity to interact with so many talented, intelligent, and dedicated individuals who make the white paper and other activities possible. Thank you to the Business Council, the NIGP membership, NIGP staff, and Public Practitioners.

Let's keep the conversation, collaboration, and learning going!

Sincerely,

Sheila Schnellenberger

Sheila Schnellenberger
2014-2015 NIGP Business Council Chair
Regional Vice President, Institutional Sales, HD Supply

Introduction

Since 2013, the NIGP Business Council has produced two [white papers](#) that explored some of the primary reasons suppliers decide not to respond to a request for proposal/invitation for bid (RFP/IFB) and examined some recommended practices that procurement professionals should consider when developing an RFP/IFB.

During the NIGP Forum in 2014, NIGP asked procurement professionals, “What keeps you up at night?” Based on that feedback, a topic for this year’s white paper quickly arose that addresses avoiding protests, moving the agency into the future by understanding when the specifications provided are outdated, and not ending up in the newspaper for breaking any rules. So in this year’s white paper, *The Healthy Agency-Supplier Relationship Guide*, we look at ways procurement professionals and the supplier community can improve communication and outcomes through specific activities. These activities apply not only to contract-based interactions, but also to the relationship procurement staff and end users have with suppliers when not discussing or considering a specific contract. These interactions can include daily small threshold purchases, as well as simply discussing industry trends or new innovations.

The response to NIGP’s first two white papers has been very positive and naturally evolved to a few more specific questions: What does “better communication” look like? What specific types of activities or exchanges could we potentially engage in? What might be the benefits of these purposeful activities? On the following pages, we explore these questions and take a look at some agencies who have asked themselves these questions, implemented changes, and come up with forward-thinking ideas about what the future could look like.

Supplier Relationship Management

NIGP’s Public Procurement Practice, “[Supplier Relationship Management](#) (SRM),” sets forth the standard that SRM is an effective practice that will allow an organization to:

- Identify strategic suppliers based on relative importance (supplier stratification);

- Define operational expectations and establish a governance structure and process for internal and supplier interactions across the life cycle of the supplier relationship;
- Define formal processes for management involvement in the relationship;
- Clarify internal roles and responsibilities;
- Establish processes to effectively manage performance; and
- Develop supplier capabilities to continuously improve the value of the organization.

Over the past few years, the concept of Best Value Procurement, coupled with longer-term agreements, has led to greater opportunities for practitioners to work in a more collaborative manner with the supplier community to deliver higher quality goods and services to the public. This is a positive development in the public sector, and it is important to remember that the success of the procurement process is contingent on the conscious efforts and cooperation of both agencies and the suppliers. Misperceptions and misunderstandings between buyers and suppliers contribute to inefficiencies and missed opportunities for the best possible outcomes that both government agencies and their suppliers desire. Achieving best possible outcomes begins with a quality relationship grounded in clear ongoing communication. Of course, getting on the same page is a two-way street that requires the intentional engagement of the agency and the supplier to understand the goals early in the procurement process. Doing so helps both parties achieve desired outcomes, as well as curtail inefficiencies in the contracting process created by unnecessary protests.

In a 2014 survey by the Association of Proposal Management Professionals (APMP),¹ both government and industry respondents indicated they preferred more open and transparent relationships. More than 90% of industry members and 60% of government participants surveyed wanted communications open in the final RFP/IFB. So a clear majority of both groups saw a need for more communication.

¹ Association of Proposal Management Professionals (APMP), “*Closing the Procurement Gap Survey Report*,” September 2014, www.apmp.org.

Government agencies need to be very clear and specific regarding their expectations at the beginning of the procurement process and not wait until after the contract is signed.

Government agencies truly realize maximum success through their contract programs when both the agencies *and* suppliers agree to embrace the concept of proactive, quality conversations that result in success for all parties, including taxpayers and shareholders.

Three Stages of Engagement

In *The Healthy Agency-Supplier Relationship Guide* we offer recommended practices to improve communications and relationships between practitioners and suppliers throughout the procurement process. We discuss how agencies and suppliers can improve the overall solicitation process and contract outcomes by adopting one or more of the practices noted below.

Recommended practices:

Part I. Non-Contract Supplier Interactions

1. Develop a supplier communication plan
2. Create a formal process for communications
3. Meet with potential offerors on an ongoing basis (one-on-one, industry days, web-based meetings)
4. Hold industry days, procurement fairs, reverse trade shows, or pre-proposal conferences
5. Share contractual pricing
6. Facilitate meetings between suppliers and key end user groups
7. Use interactive web-based technology
8. Participate in training opportunities
9. Develop market surveys
10. Issue an RFI

Part II. Bid Interactions

1. Release a draft RFP
2. Frequently publish and update solicitation release dates on the agency's website
3. Ensure the solicitation is not structured around an incumbent or preferred supplier
4. Clearly outline the need and desired outcome from the solicitation
5. Remove onerous terms and conditions
6. Provide an opportunity for bidders to ask questions
7. Hold virtual meetings
8. Answer suppliers' questions thoroughly
9. Answer questions in a timely manner or adjust RFP schedule
10. Maintain transparency
11. Include all evaluation criteria, weighting, and scoring methodology in any pre-solicitation material, pre-bid meetings, and in the actual bid/proposal
12. Keep communications open until the final RFP
13. Award the contract based on the evaluation criteria, factors/considerations, weighting and scoring outlined in the bid/proposal
14. Develop a clearly defined protest policy
15. Give suppliers their scores on evaluation criteria
16. Hold post-award debriefings

Part III. Contract Holder Relations

1. Name a single point of contact
2. Create a formal executive steering committee after the award
3. Hold periodic strategic innovation meetings
4. Inform suppliers up front if the agency is using a scorecard
5. Create accountability metrics for key suppliers
6. Invite suppliers to be involved in problem-solving opportunities

7. Consider exit interviews for outgoing contract holders to provide feedback on their experience

The recommended practices we describe can apply to a range of situations and types of solicitations and suppliers. We recognize that agencies have seen a reduction in procurement professionals and have more limited resources. Also, we realize that our audience operates in a wide variety of regulatory work environments and may have legal barriers to implementing some of the suggested activities.

Please note that *The Healthy Agency-Supplier Relationship Guide* is not meant to be the final word on the topic of agency-supplier communications and relationships but rather an opportunity for us to examine this important hot topic and begin a dialog between our communities. The recommended practices illustrated in the *Guide* are intended to help both agencies and suppliers save time and money through effective communication and a collaborative procurement process.

Quick Reference #1: Supplier-Agency Relationships: High Level Summary

In the NIGP Business Council white paper, "The Healthy Agency-Supplier Relationship" we discuss the three segments or phases of relationships and potential related activities. This chart summarizes the concept of the paper and can serve as a quick reference guide as you consider your agency's interactions with suppliers.

Non Contract Supplier Interaction

Stay close and informed while maintaining Arms Length:

State Laws, Agency Rules, Time

Types of Potential Interaction with Pros/ Cons:
Reverse Trade Shows, In Office meetings, Educational Supplier Sessions, etc.

Contract Holder Relations

Cultivate a Successful Partnership:
Expectations of Both the Agency and the Supplier

Developing and Conducting Performance Reviews, Annual pricing updates: Competitive but still sustainable, Exit Interviews and Transition

Bid Interactions

Attract Competition, make sure desired outcome is clear, and Avoid Trouble:
Balance of communication vs. unfair advantage

Avoiding Protests, Evaluation Criteria, types of communication, debriefing for those not awarded the contract

Part I: Non-Contract Supplier Interactions

Why should busy procurement professionals spend time interacting with non-contract suppliers? Without reaching out to non-contract suppliers, practitioners run the risk of relying solely on what they know from their current set of suppliers. Practitioners who talk with new suppliers can learn from other industry experts about the “latest and greatest” in their field and some different ways of doing things. By leveraging knowledge from more suppliers, practitioners will expand their awareness of products, services, and technologies related to the procurement and gain a better understanding of what is available in the market. Having a greater understanding of developments in the marketplace is a first step toward achieving best value for the agency.

Before beginning these conversations, however, procurement professionals need to understand their agency’s product usage patterns and how maintaining or changing usage would lead to greater success for the agency’s program. The broad, non-contract supplier community can offer suggestions about ways to obtain greater efficiencies by using certain products or delivering service in a different manner. When practitioners conduct this type of independent market research, they are able to determine the availability of products or services and whether solutions are available that meet their agency’s needs. The practitioner can then use the information to help shape a bid/solicitation.

On the following pages, we recommend practices that agencies and non-contract suppliers can take to communicate effectively and appropriately and develop relationships for the future.

Recommended Practices for Agencies

- **Develop a supplier communication plan.** Although agencies are not required to meet with every supplier at every step of the acquisition process, developing a high-level supplier communication plan will help ensure early, frequent, and constructive communication during key phases of the procurement process and throughout the life of the contract. A successful communication plan will provide better direction to the procurement and

applicable agency staff and clarify the nature and schedule of engagement opportunities for the industry. The plan should discuss how the agency will reduce unnecessary barriers, publicize communication opportunities, and prioritize engagement opportunities for high-risk, complex programs or those that fail to attract new suppliers during re-competitions.

- **Create a formal process for communications.** If an agency has a formal communication process in place for communicating with suppliers, it is recommended that the agency have a request for quotation (RFQ) e-mail inbox for projects rather than directly emailing an individual. An RFQ inbox can be assigned to several individuals to ensure that suppliers' questions and clarifications are provided in a timely fashion in the event someone is out of the office or non-responsive. It is best to use this formal communication process for all pre-bid/bid/award purposes; more informal communications may be used for day-to-day questions/answers.
- **Meet with potential offerors on an ongoing basis.** NIGP's Public Procurement Practice, [Transparency in Public Procurement](#), sets the standard that public procurement should be, to the greatest extent practicable, transparent in its practices, processes, policies, and relationships with all stakeholders while still protecting confidential information. Throughout the procurement process, practitioners should strive to be as transparent as possible within reason, while maintaining the integrity of the competitive process and protecting confidential information.

When practitioners meet with suppliers before issuing a solicitation, they benefit from exchanging general information with suppliers and can also conduct relevant market research. Most agencies tend to focus on the more complex goods and services when they stress the importance of face-to-face interactions with the supplier (or potential supplier) community. But suppliers of all types benefit from the opportunity to discuss, demonstrate, and answer questions about their solutions. When a supplier has the chance to interact with the entity prior to the solicitation, they are more likely to submit responses to the request for proposal/invitation for bid (RFP/IFB); more RFP/IFB responses mean more competition. Meeting with new suppliers may entail more time and effort (due diligence in

understanding the market, conducting outreach to the supplier community, documenting the meetings, etc.), but the benefits and end results illustrate the importance.

- **Hold industry days, procurement fairs, reverse trade shows, or pre-proposal conferences.** If one-on-one meetings are not feasible, agencies can hold industry days, reverse trade shows, or pre-solicitation and pre-proposal conferences to provide information about its requirements and key contacts and decision-makers to potential bidders, answer questions, and use the supplier feedback to improve a solicitation. Procurement professionals must fully understand the scope of products and services that a supplier can provide, so they may benefit from visiting the supplier's operation to gauge whether the supplier is capable of the service and support the agency needs. Suppliers who attend these sessions will have the opportunity to learn about the agency's current and upcoming plans and programs, and agencies can use these forums to educate suppliers about their licensing and insurance requirements, bonding, and other essential aspects of doing business with the agency. These events are particularly useful for small businesses that get an opportunity to meet practitioners and develop relationships or teaming agreements that benefit contract performance.
- **Share contractual pricing.** To enable new suppliers to determine whether they are able to compete for specific contracts, share contractual pricing and other key terms currently in place with them and recognize that there are alternative ways of purchasing (and supplier fulfillment) that can benefit the agency.
- **Facilitate meetings between suppliers and key end user groups.** Inform suppliers about how the decision process is handled and let them know who the decision makers are for various product and service categories.
- **Use interactive web-based technology.** Procurement professionals can use a live webinar with streaming video to expand the reach of their meetings and address questions from suppliers in real-time. Both web and in-person one-on-one meetings with suppliers could be used to make these meetings more useful, especially for large groups of suppliers who need to discuss complex requirements.

- **Participate in training opportunities.** In some cases, agency team members may be required to comply with training and continuing education unit (CEU) credit requirements to maintain their job status or engineering level, and distributor/manufacturer partners are eager to support training at an agency office, field location, or warehouse. These training opportunities can help to build a foundation for successful relationships while, at the same time, the practitioners get training credits and an introduction to alternative solutions to meet the agency's needs.
- **Develop market surveys.** Market surveys are a good tool to query the supplier community and gain a better understanding of what is available in the market.
- **Issue an RFI.** A request for information (RFI) can help practitioners deepen their understanding of the capabilities of an industry and develop or improve their acquisition strategy regarding contract type, performance requirements, performance work statements/statements of work, and performance metrics.

Recommended Practices for Suppliers

- **Come to meetings prepared.** Before attending an agency meeting, read the agency's strategic and annual planning documents. Your visit is their chance to learn from you, as well as you to learn from them.
- **Attend public meetings.** Take the opportunity to attend relevant public meetings (i.e., governing board public meetings, pre-proposal conferences, supplier workshops, etc.) to learn about the agency and its practices and initiatives and to get to know the procurement professionals within the agency.
- **Respond to market surveys and RFIs.** Take the opportunity to respond to market surveys RFIs.
- **Focus on the greater good.** Remember that your approach or solution must benefit not only your company but also the community in which it works.

Examples of Recommended Practices in Use

Below are some examples of the recommended best practices that agencies have used to successfully develop relationships with non-contract suppliers.

Supplier communication plan: The Virginia Beach City Public Schools developed guidelines for meetings with suppliers who currently do not hold contracts with their schools. School procurement staff will meet with all suppliers who request a meeting and, provided that the schools purchase what they sell, will provide information on their preferred purchasing processes. If the schools have established contracts for the goods or services a supplier sells, the procurement staff shows the supplier the contractual pricing so they can determine whether they can compete. Procurement personnel educate suppliers on all conditions that they must satisfy in order to do business, which may include contractor's licenses, insurance requirements, and bonding. For eligible suppliers, school procurement personnel arrange a meeting with their key decision-makers so that suppliers will understand the school's bidder registration system.

Meetings with potential offerors: The following example illustrates how a purchasing cooperative benefited from pre-bid conversations with a lime supplier and learned how changes in their purchasing patterns would make their program more successful. At the time, many water treatment plants were using a standard size of lime that had been used by plants for many years, but rising production and transportation costs were making this product increasingly more expensive. Because the supplier discussed the opportunity to switch to smaller lime quantities with the water plants, and since there were cooperative member agencies willing to test the efficacy of the new material, all of the member agencies were able to save a significant amount of money while improving the overall efficiency of the water treatment process.

In the past few years, the State of Arizona took several steps to improve non-contract related communication and relationships between the State's agencies and the supplier community:

Procurement fair (reverse trade show): In 2013, Arizona conducted four fairs focused on different industries: technology, professional services, construction/fleet, and administrative office and equipment. These fairs provided easier access to the State agencies that specifically procured goods/services so that the suppliers could introduce themselves and learn about upcoming procurement opportunities. The fairs also provided an opportunity for follow-up communication.

RFIs and stakeholder meetings: As needed, Arizona conducted RFI's that included an open forum meeting to gain an understanding of various industries, including outsourcing of print management services. Other stakeholder-type meetings focused on redrafting/revising terms and conditions language, supplier performance metrics, evaluation methodologies, and supplier communications/lobbying.

Meeting with potential offerors: While developing an RFP for an eProcurement System, the State held multiple meetings and demonstrations with viable offerors to gain an understanding of the marketplace. This process helped the State develop an eProcurement System RFP that met the State's goals and requirements, while ensuring sufficient competition and affording equal opportunity to the supplier community.

For example, the Procurement Division of the Orange County, Florida, Board of County Commissioners uses a number of methods to reach out to the supplier community to learn about new suppliers, educate them about how to do business with the County, and ideally increase the competition when they release a bid. When reaching out to the supplier community, the procurement staff also tries to help businesses identify opportunities to become subcontractors.

Meet with potential offerors on an ongoing basis. Each month the procurement staff holds a supplier meeting that allows new suppliers to learn how to do business with County, share

information about their goods and services, and find out how to access the County's website to learn what opportunities are available to them. The event is listed on the County's website and suppliers sign up on-line.

Hold industry days, procurement fairs, reverse trade shows, or pre-proposal conferences.

The procurement department teams with other County departments and attends the following events on a regular basis:

- Monthly training sessions for minority or women-owned businesses conducted by the Business Development department.
- Government contracting workshops held by the Florida Small Business Development Center.
- The annual trade show held by the Central and North Florida Minority Supplier Development Council.
- The Florida Small Business Development Center's two-day government contracting workshop, which includes a business matchmaking day where various government agencies talk with attendees who sign up to talk with them.

Reverse trade shows: The Orange County, Florida, procurement staff always has a table at the reverse trade show sponsored by the local NIGP chapter. With more than four hundred suppliers at that show, the staff is able to communicate with several hundred potential suppliers.

Part II: Bid Interactions

Governmental purchasing offices are required to demonstrate complete transparency and openness regarding information and access to the procurement process. While there is general agreement regarding the clearly expressed requirement for open exchanges with suppliers to end after release of a solicitation, the boundaries of practitioner-supplier communication can, at times, boil down to a series of blurry “lines in the sand” that are constantly being pushed by purchasers and suppliers at different points in the bidding process.

Pre-solicitation. Before a solicitation is released, suppliers may want unlimited one-on-one access to practitioners and decision-makers, while procurement officials want to grant limited access in group settings and open forums. Procurement professionals want to get as much information as possible from suppliers in order to build a strong knowledge base and prepare a quality RFP, while suppliers will be cautious about their trade secrets or proprietary information.

Solicitation period. During the solicitation or request for information/request for proposal (RFI/RFP) stage, procurement professionals are constrained by their particular solicitation process and may be unable to accept creative solutions that deviate from the documented specifications. At the same time, suppliers want to provide information that they believe will give them a competitive advantage, including alternate proposal ideas and unique approaches that may not meet the specific requirements of the formal solicitation.

Clearly, suppliers and practitioners need to be able to communicate with each other during the bidding process so that suppliers clearly understand the buyer’s goals and intent, regardless of the actual content of a bid package, and practitioners receive competitive proposals with solutions that meet their agency’s goals and needs. Procurement professionals may need multiple suppliers to participate in the process, but they must also balance the quantity of participation with the quality of participation. With fewer resources to work with practitioners must find best value through quality partners in order to operate efficiently.

The status quo scenario has been that the agency issues bids to the supplier community but shares very little insight into how the agency defines or views success. When the agency shares their quality expectations and intended outcomes upfront, the supplier community will gain a better understanding of what needs to be delivered and how to deliver it. Over time, the agency will see solutions that better meet its needs, often in a more innovative manner than if they had relied on the traditional method of issuing a solicitation that only included product or service specifications.

Maintaining impartiality and avoiding impropriety. While increased supplier communications can provide value to both parties, it is essential that practitioners avoid even the appearance of impropriety. A cup of coffee in a café can lead to questions of favoritism if a competitor sees the incumbent or a favored supplier sitting with a procurement professional during a bid process. This is true even if the practitioner is a good friend of the supplier representative and is not involved in the solicitation. Practitioners must limit displays of trade show giveaways, door prizes, or other promotional materials in the office and restrict visible social interactions with suppliers competing for agency business. It is critical that each agency defines its policy on entertainment, training, gifts, or samples and that it monitors its staff to ensure compliance.

Alternate bids. One issue that must be carefully reviewed is supplier requests to accept alternate bids, as those requests may be an indication that the information in the request for proposal/invitation for bid (RFP/IFB) is not at the level of the market. If prepared correctly, a well-defined, well-organized, well-coordinated solicitation, written with a good knowledge of the marketplace and discussed fully with suppliers, should not result in requests for alternate bids.

Keeping the lines of communication open right up until the final RFP/IFB can help practitioners encourage competition, make sure the bids address the agency's goals and desired outcome, and avoid protests and other problems down the line. On the following pages, we offer

recommended practices that agencies and suppliers can use at specific points in the bidding process to improve their communication and working relationships.

Recommended Practices for Agencies

Attracting Competition (RFP phase)

- **Release a draft RFP or streamlined RFI.** Letting suppliers review a draft RFP, including the instructions, conditions and notices to bidders and the evaluation factors for award is a good way for a practitioners to confirm that the solicitation instructions are clear.
- **Frequently publish and update solicitation release dates on the agency's website.**
- **Ensure the solicitation is not structured around an incumbent or preferred supplier.** Structuring a bid around one supplier does not encourage competition from other viable suppliers. For example, listing a specific company's product numbers as the desired product in the market basket taints the appearance of impartiality.
- **Clearly outline the need and desired outcome from the solicitation.** All goals should be outlined in the RFP/IFB and again when the contract documents are being written. This allows the supplier experts to propose a solution that will best meet the needs of the agency. NIGP's Public Procurement Practice, [*Specifications*](#), sets a standard that public procurement should understand the elements required to accurately define, represent, and fully express the requirements of the requestor and should recognize that a specification may form a part of a wider description of requirements. The statement of requirements must establish an accurate description of the need so that the potential suppliers can provide acceptable solutions.
- **Remove onerous terms and conditions.** If suppliers find the terms and conditions in the RFP/IFB to be onerous many will decide to not pursue the opportunity. Agencies should periodically conduct an RFP/IFB template review to identify the onerous terms and conditions. While this step may be time consuming, the long-term benefits of a greater supplier response will justify the initial investment of time and effort.

Pre-Bid Meeting (post-RFP release)

Suppliers may not want to talk in front of their competitors at a pre-bid meeting since they want to guard their proprietary information and bid response strategies. A pre-bid meeting where all questions are posed in front of competitors discourages suppliers from asking clarifying questions that may give their competitors an insight into their approach to the bid. Instead, to address the bidders' needs:

- **Provide an opportunity for bidders to ask questions.** Allow bidders to submit and receive answers to questions in an anonymous environment or through one-on-one discussions with procurement personnel that align with the agency's policies. Also establish a single point of contact for bidders to ensure they receive consistent answers and the same information.
- **Hold virtual meetings.** Establishing virtual meetings for suppliers may encourage more to participate.
- **Answer suppliers' questions thoroughly.** By receiving clear and thorough responses to their questions, suppliers will understand the agency's rationale and adjust their RFP/IFB response to align with what the agency needs and requires. If the answer to a question is "no," tell the supplier clearly and thoroughly why the response is "no."
- **Answer questions in a timely manner or adjust RFP schedule.** If the agency's responses to supplier questions are delayed beyond the original timeline, consider extending the RFP's due date and publish the revised timeline on the agency's website. The suppliers require time to adjust their RFP responses based on the answers they receive from the agency. Allowing suppliers adequate time to make these changes and adjustments helps them to prepare a more comprehensive bid response that better aligns with the agency's needs and requirements.
- **Maintain transparency.** While it is important to answer supplier questions thoroughly and expediently, public meeting laws in many locales require that public procurement officials maintain a high level of transparency in the solicitation process. Practitioners accomplish transparency by issuing written addenda with all questions and answers to

all suppliers who have received a bid or who may request the bid. It is not necessary to identify the suppliers who posed the questions in the written addendum document.

- **Include all evaluation criteria, weighting, and scoring methodology in any pre-solicitation material, pre-bid meetings, and in the actual bid/proposal.** NIGP's Public Procurement Practice, [Developing Evaluation Criteria](#), sets a standard that before issuing the solicitation, procurement professionals and applicable stakeholders must establish the criteria by which the resulting bids or proposals will be evaluated. Once the appropriate procurement method is selected, criteria should be established to evaluate bids or proposals for the most economically advantageous offer for the contracting authority, or for the lowest price. If the agency uses scorecards to grade the suppliers, communicating that up front would be a best practice in order for the suppliers to fully understand what is expected of them. Measurements are valuable if all parties have clarity about what is being measured and how it will be used. In order for the supplier community to fully understand how their responses will be evaluated, rating criteria must clearly illustrate how factors and capabilities will be scored and weighted. The factors must be relevant to the supplier and include ROI, if appropriate.. Unclear evaluation criteria may elicit responses that are not aligned with the agency's needs and requirements or may evoke potential protests.
- **Keep communications open until the final RFP**

Award Process

Bid interactions between procurement professionals and the supplier community, if formal bid solicitations are needed, should be concise and include information that will truly be used to evaluate the potential awardee.

- **Award the contract based on the evaluation criteria, factors/considerations, weighting and scoring outlined in the bid/proposal.** NIGP's Public Procurement Practice, [Performance Based Contracting](#), has established a standard that procurement organizations should implement to improve performance and lower costs through the use of performance based contracts that: (1) describe the requirements in terms of

results required rather than specifying how the work is to be accomplished; (2) set measurable performance standards; (3) describe how the contractor's performance will be evaluated in a quality assurance plan; (4) identify and use positive and negative incentives, when appropriate. Awarding the contract to a supplier that did not meet the outlined criteria or basing the award on factors that were not expressly included as a point of consideration can lead to protests.

- **Develop a clearly defined protest policy.** Post the protest policy on the agency's website and include the policy and challenge criteria within the bid or solicitation documents.

Post-Award Communications

If communication between practitioners and the suppliers has been open and aligned with the agency's policies, after an award it may help the agency avoid disputes or protests if the practitioners provide feedback to the suppliers about their submissions. Bid protests are something many suppliers avoid unless there are extraordinary circumstances. If an award is protested, the agency will usually have to limit or suspend some of its procurement needs to address the bid protest, which can negatively impact the agency and its perception of the supplier that filed the protest. In addition, suppliers do not want an agency to develop a negative perception of their company. But a few steps can help agencies greatly reduce the possibility of a protest:

- **Give suppliers their scores on evaluation criteria.** Suppliers want to improve and have the best and most comprehensive bid/proposal responses. Understanding where their responses were strong and weak allows suppliers to learn and improve their future offerings.
- **Hold post-award debriefings.** Although debriefings may not be required, procurement professionals should provide a brief explanation of the basis for the award decision. Provide detailed information about where the supplier's proposed solution did not meet the agency's needs as well as the awarded supplier.

Recommended Practices for Suppliers:

- **Respond fully and clearly to market surveys, RFIs or draft RFPs.**
- **Follow the prescribed communication requirements of the government agency.**
- **Participate in available meetings and talk with procurement personnel on a regular basis.**
- **Request a debriefing, when appropriate.** If you are not awarded a contract and the agency offers a debriefing, take advantage of that opportunity. Many suppliers will file a public record request to look at all of the proposals and then conduct an internal analysis. But by requesting a debriefing and talking with the procurement team about a solicitation, a supplier may get valuable information to consider for future procurements.
- **Develop a checklist before filing a protest.** While protests are, at times, appropriate, they create longer acquisition cycles and may make it difficult for practitioners to justify their best value decisions. As a result, practitioners may be driven to select a “lowest price, technically acceptable” (LPTA) bid, which may provide the least expensive, but not necessarily the best, solution. Before filing a protest, determine if the agency violated any procurement integrity rules. If so, identify them. Require your CEO to approve filing protests to prevent excessive protesting from some business units.

Examples of Recommended Practices in Use

Below are some examples of recommended practices that agencies and suppliers have used to maintain the lines of communication after an RFP/IFB has been released and the contract has been awarded.

Adhere to the supplier communication plan: The communication bidders receive during a solicitation can easily become an issue for a protest if procurement professionals do not closely follow their supplier communication plan (i.e., procurement system, public postings, etc.). When the State of Arizona procured for a Software Managed Service Provider, it was alleged

that e-mail communication and responses were provided only to the awardee, giving that supplier an unfair advantage. Fortunately for the State, after the protest and appeal were elevated to a hearing with an administrative law judge, the State was able to prove the allegations were untrue and prevailed on all accounts. The contract award remained in place. In another case, the State released a solicitation for behavioral health services worth over \$1B annually. In the review of a protest, prior to appeal, it was determined that part of the informational guidance (the number of pages/charts) had been provided to one potential offeror that was not provided to others. This small oversight and the desire by the procurement officer to be responsive affected the full objectivity of the evaluation and caused the procurement to be re-solicited, costing the State, and the suppliers, time and money.

Post-Award debriefing meetings: Post-award debriefing meetings are a key tool available to procurement professionals and the supplier community if each party fully communicates and listens. Many years ago, for the first time, the State of Arizona modified its approach to behavioral health services and solicited for services worth over \$1B annually. The solicitation received four viable offers with a single award being made. After the award, a debriefing meeting was conducted with each unsuccessful bidder to review the basis of their evaluation scores and overall ranking. These meetings were very productive and, as a result, no protests were filed. This was only time in Arizona history that this procurement had not been protested or appealed or had progressed to an administrative hearing.

Develop a clearly defined protest policy: Following a State contract solicitation, a distributor was notified that they had failed to file a certain document with the State and, therefore, would not receive an award. The solicitation clearly stated that bidders had to file a letter of authorization from the manufacturer. The solicitation also included specific instructions to protest the award, which the supplier read very carefully. Before filing a formal protest, the supplier discussed the grounds for their protest with the State's purchasing department to get their opinion. The purchasing department agreed with the supplier that this was a minor formality and the requirement could be waived upon receipt of the document. The State still

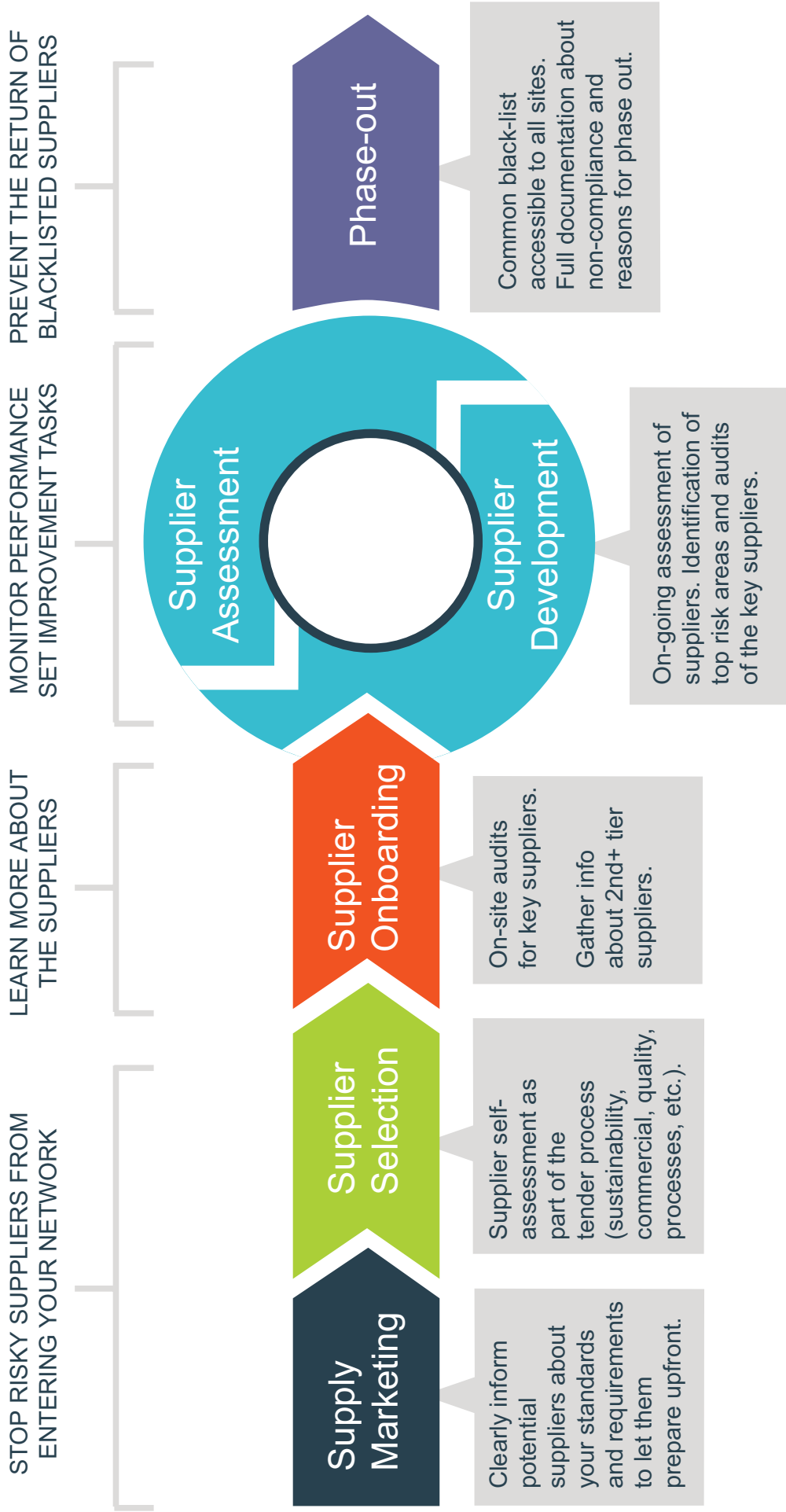
had to go through their review process but the supplier felt like they were working with the state to help each other. The supplier followed the State's process detailed in the solicitation and filed the following protest letter:

Please regard this as a formal protest by _____ of solicitation (# and Name). Specifically, we are protesting line items _____. It is not our intent to challenge the award to other vendors, we are asking for an additional award to _____. It is our understanding that the State's intent is to not award a contract to _____ due to a lack of an Authorization Letter from the manufacturer. We would like the State to regard this as a Minor Informality as _____ is the only and exclusive supplier of _____ products in the state of _____. _____ also has held this contract for many years prior to this bid and have acted as a responsive and responsible supplier. Please consider our request and we look forward to working through this process with you.

If the State had recommended that the supplier not file a protest, the supplier would have followed that advice. By having an upfront discussion, both parties saved time, resources, and frustration.

Quick Reference #2: Supplier Management

In the NIGP Business Council white paper, "The Healthy Agency-Supplier Relationship" we discuss the three segments or phases of relationships and potential related activities. This flow chart depicts the path for successfully managing suppliers and making both information available to others to ensure expectations are met and any risk is mitigated.



Part III: Contract Holder Relations

Open communication between the agency and the supplier is key to a successful partnership and contract. Provided the contract requirements are achievable and agreed to by both parties—and comply with the agency’s procurement guidelines—the best contracts include periodic performance reviews and ongoing communication. Not only does the supplier community need to have a good understanding of what success is, they also need to understand how the agency plans to measure and benchmark that success.

Agencies need to develop methods to evaluate supplier performance. Once a contract is awarded, the agency should engage the supplier in a review of performance evaluation criteria to affirm there is mutual understanding of what will constitute “success.” If the agency feels that they can easily reach the supplier to provide feedback on contract fulfillment, then the contract holder is better able to express performance issues or positive comments, quickly and with specifics, which allows the supplier to rapidly address any issues. Similarly, once suppliers are confident they understand the total value proposition of what they have been contracted to execute, they will be more likely to consistently meet—or exceed—the expectations of their customer. *That’s best value!*

Actively maintaining ongoing communication between the agency and the supplier helps provide a high-quality, successful partnership rather than just the traditional, transactional agency–supplier, customer–supplier relationship. Getting more out of these relationships is a win-win for everyone.

Recommended Practices for Agencies

NIGP’s Public Procurement Practice, [Performance Management](#), sets a standard that public procurement organizations should develop a performance management program that allows for a continuous cycle of improvement and added value. The performance management program should be integrated across the procurement organization, individual, and supplier levels.

- **Name a single point of contact.** Name one single point of contact for long-term interactions after the initial project.
- **Create a formal executive steering committee after the award.** When establishing the steering committee, include the end user’s department head, the agency’s department head or the individual in charge of the particular function, and the supplier’s project manager or representative. Procurement staff should also be able to attend, as needed.
- **Hold periodic strategic innovation meetings.** Use monthly, quarterly or biannual meetings to discuss additional needs and expectations and provide the supplier the opportunity to develop solutions. These meetings give the agency an opportunity to offer feedback regarding products, service, delivery, etc., and allow for an open line of communication to talk about what is going well and areas for collaboration or improvement. Particularly with new contracts, ongoing meetings can help create a collaborative effort and resolve any miscommunications or issues quickly. Agencies can also derive data from these meetings that can be incorporated into future solicitations or contracts.
- **Inform suppliers up front if an agency is using a scorecard.** NIGP’s Public Procurement Practice, [Performance Measurement](#), establishes a standard that procurement professionals should have a performance measurement system that assesses progress towards achievement of the strategic plan. If the agency has such a plan, tie the agency’s return on investment (ROI) or metrics to the scorecard. One method that many agencies have used is a “Contract Report Card,” which provides supplier expectations and measurements. Create a mechanism to provide suppliers with “meets expectations” and “does not meet expectations” lists.
- **Create accountability metrics for key suppliers.** A key supplier designation would be based on the annual spend or how critical the supplies are to the agency’s successful operations. The Supplier Relations Management (SRM) metrics should, at least in part, reflect the evaluation criteria from the RFP or the contracting process. The criteria for the SRM metrics can include:
 - a. Price compliance (savings as promised, getting the price right, getting orders and invoices right)

- b. Adherence to technical specs
 - c. Adherence to performance specs
 - d. Delivery timing or speed, including lead time, time from order to acknowledgement, installation time, etc.
 - e. Ease of procurement
 - f. Adoption by agency departments/breadth of use to generate value or savings
 - g. Warranty claim experience
 - h. Return policy experience
 - i. Sustainable practices (e.g., recyclable content, re-use or re-purpose results, emissions and consumption)
 - j. Products purchased and how used
 - k. Services purchased and how used
 - l. Inventory (having appropriate levels, not having any or minimizing)
 - m. Compliance with invoicing terms
 - n. Agency payment record
 - o. New product availability
 - p. New services availability
 - q. Obsolescence record
 - r. Financial stability
 - s. Industry news, advancements, improvements
 - t. Key staff performance
- **Invite suppliers to be involved in problem-solving opportunities.**
 - **Consider exit interviews for outgoing contract holders to provide feedback on their experience.**

Recommended Practices for Suppliers

- **Name a single point of contact.** One single point of contact should be selected for long-term interactions after the initial project.

- **Communicate.** Documentation is a powerful tool. Communicate your contract performance to the agency on a quarterly basis, at a minimum.

Examples of Recommended Practices in Use

Below are examples of agencies and suppliers who have used the recommended practices to maintain communication after a contract has been awarded.

Contract report card: Recently, a contract report card was used by a Florida community that hired a firm to manage their aquatic center, provide lifeguards, and create programs that would improve attendance at the facility. The Contract Report Card measured several areas of the firm's performance, including such measures as:

- the number of swimming lessons provided to users,
- the number of new programs initiated,
- the number of participants in the new programs, and
- the overall satisfaction of the customers of the aquatic center.

The contracted provider had several quality discussions with the agency and its stakeholders before the final contract was awarded, and both the provider and the agency agreed upon specific goals for each of these areas in advance. Formal quality discussions and performance evaluations between the provider and supplier were scheduled on a quarterly basis, allowing for frequent two-way feedback.

The customer satisfaction goal was for the provider to have 90% of all customers rate their experience at the facility as positive. With this clear understanding of the agency's expectations, the provider devoted its resources to striving for success and, within the first year, the average score was well above 90% satisfaction.

Eventually, the agency and the provider determined that once this benchmark was met, the goal should be raised to 93%, then to 95%, and so on, illustrating that the quality conversation

can be revisited often during the life of a contract to maintain success and continual improvement.

Quarterly contract performance reviews: When one prominent State agency embarked on strategic sourcing, a key component of its program was to conduct Quarterly Contract Performance Reviews to focus on the contract usage by state agencies and cooperative members. These reviews provided an opportunity to develop new strategies, discuss challenges, and address potential contract or support issues that may have arisen. OfficeMax, Grainger, and Knowledge Services were among the suppliers who attended these productive meetings and submitted valuable reports.

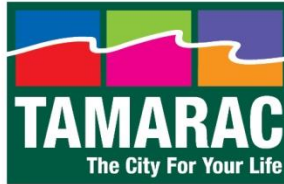
Project meetings: Depending on the type of contract, the State of Arizona will hold joint agency/supplier project meetings. The agency and the supplier first meet to kick-off the project and ensure all goals are aligned and then continue to meet weekly or monthly to remain in sync. These meetings may be held for all types of products and services, with some of the most common being construction services, IT system implementations, program development, and marketing services. The State held meetings to initiate an eProcurement system, an anti-tobacco marketing campaign, and a veteran's home construction project.

Quick Reference #3: Post Award Contract Supplier Interactions

In the NIGP Business Council white paper, "The Healthy Agency-Supplier Relationship" we discuss the three segments or phases of relationships and potential related activities. This chart illustrates the collaborative interaction that occurs post award to ensure that objectives are met, performance is measured, and effective communication occurs frequently; therefore providing a framework for success.



PURCHASING AND CONTRACTS DIVISION



To My Fellow Public Procurement Professionals,

Over the past three years, the NIGP Business Council has established a tradition of annually developing a high quality comprehensive "White Paper Report", which provides public procurement professionals with the perspective of our suppliers. These reports have helped to expose public procurement practitioners to many unique insights of our suppliers, focusing on how the supplier community perceives and responds to the impact of our everyday actions which sometimes create ripples far beyond what we would typically anticipate.

The first White Paper Report, "*We 'No Bid,' and I'll Tell You Why*", followed by last year's effort, "*EVERYBODY WINS: Crafting a Solicitation that Fosters Transparency, Best Value, and Collaborative Partnership*" have proven to be popular topics with many of you, as witnessed by the many anecdotal accounts of how these papers have impacted the daily practices of numerous public procurement practitioners. The Council's latest White Paper Report titled "*The Healthy Agency-Supplier Relationship Guide*" reflects that same high quality research, perspective and insight that have made the Council's past White Paper Reports so popular with our colleagues.

The current offering touches on critical tenants of the Purchaser-Supplier relationship, ultimately providing important tips on such issues as how to establish guidelines to achieve success with your contracts, and methods to document and benchmark your contract successes from both the purchaser's and the supplier's perspective.

My recommendation is that you read this White Paper Report from cover to cover, as there are a tremendous number of best practice insights, as well as some practical instructions for both buyers and sellers alike on how to add some very effective "best practice tools" to your toolbox!

I want to offer a special thanks to the members of the NIGP Business Council, who have made it possible to share this knowledge with all of you!

Sincerely,

A handwritten signature in blue ink, appearing to read "Keith K. Glatz".

Keith K. Glatz, CPPO, FCPM, FCPA
Chair, NIGP Governing Board

"Committed to Excellence...Always."

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Conclusion

The Business Council's objective for creating *The Healthy Agency-Supplier Relationship Guide* is to help increase communication and deepen relationships between practitioners and suppliers. We appreciate the conversations with and suggestions from our public procurement partners, many of which are included in this paper. Through ongoing conversations and by integrating into your procurement practices the ideas and recommended practices outlined in this paper, your agency can develop sustained relationships with contracted *and* non-contracted suppliers while still operating in an environment of transparency and unbiased integrity. Practitioners and suppliers share a common set of values – accountability, ethics impartiality, professionalism, service, and transparency – that can become the cornerstone of this partnership and lead to greater understanding across our two communities.

As we have discussed, when practitioners establish the practice of communicating with suppliers throughout the entire procurement cycle—pre-contract, bidding phase, and post-award—agencies can reduce contract inefficiencies and misunderstandings and deliver higher quality goods and services to the public. At the end of the day, both parties want the same things: stable, engaged relationships, the most effective use of taxpayer dollars, quality products and services, and a reputation for integrity and professionalism.

For more information

If you have any questions about the Business Council, please contact 703-736-8900.

Additional Resources

The Resource Center at www.nigp.org has a range of tools developed to support your day-to-day activities and help you effectively manage your procurement organization. At the Resource Center you'll find NIGP's Online Dictionary of Procurement Terms; a library with thousands of solicitations and templates, publications, and research to assist you with your solicitation development activities; sourcing tools to help you with day-to-day supplier research and due diligence; and management tools, guidance about best practices, and publications focused exclusively on topics relevant to public procurement.

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