

Procurement and Supply Chain

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MGM 431

Lecture 8



Tender Management Processes

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Course Agenda

Chapter

1. Define tender management.
2. Explain why organizations use tenders.
3. Identify different tendering methods.
4. Prepare tender documents.
5. Conduct supplier evaluation.
6. Select the best supplier.
7. Understand ethical issues in tendering.
8. Apply digital procurement tools.



What is Procurement?

Definition

Procurement is the process of acquiring goods, services, or works from external suppliers to meet organizational needs while achieving the best value for money.

Procurement Objectives

- Right quality
- Right quantity
- Right supplier
- Right price
- Right delivery time
- Right location

What is Tender Management?

Tender Management is the structured process of inviting suppliers to compete for Business through formal bidding, evaluating their offers, selecting the most suitable supplier, and awarding contracts.

Why Organizations Use Tendering

- Promote fair competition
- Increase transparency
- Obtain competitive prices
- Improve supplier quality
- Reduce procurement risks
- Ensure regulatory compliance
- Encourage innovation

Procurement Planning Before Tendering

Activities include:

- Spend analysis
- Market research
- Budget estimation
- Risk assessment
- Procurement schedule
- Supplier market analysis

Make-or-Buy Decision

- Internal production
- Outsourcing
- Cost comparison
- Strategic considerations
- Core competencies

Procurement Management Flow

Plan Procurement Management



Determine procurement requirements



Prepare procurement documents



Conduct Procurements



Evaluate proposals



Negotiate contracts



Award contracts



Control Procurements



Monitor supplier performance



Contract closure

Types of Tenders

Type

Description

Open Tender

Public invitation

Restricted Tender

Selected suppliers

Single Source

One supplier

Negotiated Tender

Direct negotiation

Two-Stage Tender

Technical then commercial

Open Tender

An **Open Tender** is a procurement method in which an organization publicly advertises its purchasing requirement, allowing **any qualified supplier** to submit a bid. It is one of the most transparent and competitive tendering methods.

Advantages

- Maximum competition
- Transparency
- Lower prices

Disadvantages

- Many bids
- Longer evaluation
- Higher administrative cost

Example : Telecommunications

Company: Vodafone

Procurement Need

Construction of new telecommunications towers.

Open Tender

Engineering and construction companies are invited to submit bids.

Evaluation:

- Technical expertise
- Previous telecom experience
- Safety performance
- Commercial proposal

Restricted Tender

A **Restricted Tender** (also called **Selective Tender** or **Limited Tender** in some organizations) is a procurement method in which **only a shortlist of pre-qualified suppliers** is invited to submit bids.

Advantages

- Qualified suppliers
- Faster evaluation
- Better technical capability

Disadvantages

- Reduced competition

Examples of restricted tender

Example : Banking Industry

Company: HSBC

Procurement Need

Implementation of a cybersecurity system.

Why Restricted Tender?

Only certified cybersecurity companies with experience in banking systems are invited.

Evaluation includes:

- Security expertise
- Compliance certifications
- Implementation experience
- Support capability
- Price

Single Source Procurement

A **Single-Source Tender** (also called **Sole-Source Procurement** in some organizations) is a procurement method in which **only one supplier is invited to submit a bid** because no other supplier can meet the organization's requirements or because there is a valid business justification.

When is it appropriate?

- Emergency procurement
- Patent holder
- Proprietary technology
- Sole distributor
- Compatibility requirements

Example: Information Technology

Company: Bank

Procurement Requirement

Upgrade the bank's core banking software.

Situation

The existing software is proprietary.

Why Single-Source?

Only the original software developer can:

- Upgrade the system
- Modify the source code
- Provide official technical support

Outcome

The bank negotiates directly with the software vendor.

Types of Tenders

A **Negotiated Tender** is a procurement method in which the buyer negotiates directly with **one or more selected suppliers** to agree on the technical, commercial, and contractual terms before awarding the contract.

It is commonly used when:

- The procurement is **complex**.
- Requirements cannot be fully specified in advance.
- There is an urgent need.
- Only a few qualified suppliers exist.
- Price and contract terms require detailed negotiation.

Example : Food Manufacturing

Company: Nestlé

Procurement Requirement

Purchase a customized packaging production line.

Negotiation Topics

- Machine customization
- Production speed
- Factory acceptance testing (FAT)
- Site acceptance testing (SAT)
- Delivery schedule
- Price

Types of Tenders

A Two-Stage Tender is a procurement method where suppliers submit their bids in two separate stages:

- **Stage 1:** Technical Proposal (without price)
- **Stage 2:** Commercial / Financial Proposal (only for technically qualified suppliers)

This method is commonly used for complex, high-value, or specialized procurements where technical capability must be assessed before considering price.

Two-Envelope Tender System

Envelope 1

Technical Proposal



Evaluation



Envelope 2

Financial Proposal

Example : Pharmaceutical Industry

Company: Pfizer

Procurement Requirement

Supply and installation of a sterile injectable production line.

Stage 1 – Technical Evaluation

Suppliers submit:

- Equipment specifications
- GMP compliance details
- Production capacity
- Validation approach
- Installation methodology
- Training plan

The evaluation committee selects suppliers that meet all technical and regulatory requirements.

Tender Documentation

Typical contents:

- Invitation to Tender (ITT)
- Instructions to Bidders
- Scope of Supply
- Technical Specifications
- Commercial Terms
- General Conditions
- Evaluation Criteria
- Submission Forms
- Draft Contract

Technical Specifications

Good specifications should be:

- Clear
- Complete
- Measurable
- Non-discriminatory
- Performance-based where possible

Commercial Requirements

Include:

- Delivery terms (Incoterms)
- Payment terms
- Warranty
- Penalties
- Taxes
- Insurance
- Currency
- Validity period

Procurement Documents Comparison

- **RFI** is generally issued before preparing an **RFP** or **RFQ**

Document

Purpose

RFI

Gather information

RFQ

Obtain quotations

RFP

Obtain technical & commercial proposals

ITT

Formal competitive tender

Procurement Documents

Document	Purpose	Best Used When
RFI (Request for Information)	Gather market information	The buyer is exploring available solutions before defining requirements.
RFQ (Request for Quotation)	Obtain prices for standard products or services	Requirements are clear, and price is the main consideration.
RFP (Request for Proposal)	Request detailed technical and commercial proposals	Suppliers are expected to propose different solutions or approaches.
ITT (Invitation to Tender)	Invite suppliers to submit formal competitive bids	Specifications are fully defined, and suppliers compete to win the contract.

Company: Coca-Cola

Situation

The company wants to outsource transportation and warehousing operations.

Why RFP?

The company needs suppliers to explain:

- Transportation network
- Fleet capacity
- Warehouse locations
- Delivery performance
- Technology
- Sustainability initiatives

Suppliers submit complete logistics solutions—not just transportation prices.²⁶

Example : IT Outsourcing

Company: Bank

Requirement:

Develop a Mobile Banking Application.

Suppliers submit:

- Software architecture
- Security plan
- Development methodology
- Project schedule
- Testing approach
- Support plan
- Project cost

Evaluation includes technical capability and cybersecurity expertise.

Example : Office Supplies

Company: Unilever

Requirement

Purchase:

- 500 boxes of A4 paper
- 100 printer cartridges
- 50 office chairs

Why Use an RFQ?

The specifications are already defined, so the company only needs suppliers to quote:

- Unit price
- Delivery time .Payment terms .Warranty (if applicable)

Evaluation: The company compares quotations and selects the supplier offering the

Best value

Example : Logistics Company

Situation

A logistics company wants a new Warehouse Management System (WMS).

The RFI Requests Information About

- System features
- Barcode support
- RFID capabilities
- Cloud deployment
- ERP integration
- AI functions
- Customer references

The responses help define the final system requirements before issuing an RFP.

Example : Oil and Gas Company

Company: Shell

Situation

The company wants to build a new fuel storage facility.

ITT Requests:

- Construction methodology
- Technical proposal
- Project schedule
- HSE (Health, Safety, and Environment) plan
- Financial proposal
- Previous project experience

Tender Opening

- Deadline
- Bid opening committee
- Bid register
- Confidentiality
- Compliance check

Preliminary Evaluation

- Signed forms
- Required certificates
- Bid security
- Compliance
- Completeness

Technical Evaluation

Criteria include:

- Product quality
- Compliance
- Manufacturing capability
- Certifications
- Delivery capability
- Experience
- References

Commercial Evaluation

- Unit price
- Total cost
- Transportation
- Duties
- Warranty
- Payment terms
- Discounts

Introduce the concept of **Total Cost of Ownership (TCO)**.

- **Supplier Evaluation Matrix**

Criteria	Weight
Quality	30%
Price	30%
Delivery	15%
Service	10%
Experience	10%
Sustainability	5%

Example : Retail Industry

Company: Carrefour

Procurement Requirement

Build a new distribution center.

Evaluation Criteria

- Construction experience
- Technical capability
- Financial stability
- Project schedule
- Price
- Health, Safety, and Environment (HSE) performance

Procurement Negotiation

Objectives:

- Better price
- Better quality
- Faster delivery
- Reduced risk
- Long-term partnership

Negotiation Variables

- Price
- Delivery
- Payment
- Warranty
- Service
- Lead time
- MOQ
- Discounts

Example 1: Pharmaceutical Company

Company: Pfizer

Procurement Requirement

Purchase a new tablet compression machine worth **USD 2 million**.

Negotiation Topics

- Purchase price
- Delivery schedule
- Installation services
- Operator training
- Warranty period
- Spare parts availability
- Payment terms

Negotiation Outcome

- Price reduced by **8%**
- Warranty extended from **2 years to 4 years**
- Free operator training included
- Spare parts discount of **15%**
- Delivery reduced from **20 weeks to 16 weeks**

Supplier Selection

Award based on:

- Best value
- Technical capability
- Commercial evaluation
- Risk
- Compliance

Contract Award Process

Approval



Letter of Award



Contract Signing



Purchase Order



Supplier Mobilization

Supplier Performance Monitoring

Supplier performance should be monitored after the contract is awarded.

KPIs

- On-time delivery
- Quality
- Cost
- Responsiveness
- Innovation
- Sustainability

Ethics in Tendering

- Fair competition
- Confidentiality
- Conflict of interest
- Anti-bribery
- Transparency
- Equal treatment

Tender Risks

Examples:

- Bid rigging
- Supplier collusion
- Unrealistically low bids
- Poor specifications
- Contract disputes
- Delivery failures

E-Tendering

Benefits

- Faster process
- Lower costs
- Better audit trail
- Transparency
- Paperless procurement

Procurement Technologies

Include:

- SAP Ariba
- Oracle Procurement Cloud
- Coupa
- Jaggaer
- Odoo Procurement
- Microsoft Dynamics 365
- AI-assisted bid analysis

Common Tendering Mistakes

- Poor specifications
- Choosing lowest price only
- Ignoring supplier capability
- Weak evaluation criteria
- Lack of market research
- Poor contract management

- Conduct market analysis
- Use clear specifications
- Apply objective evaluation criteria
- Maintain confidentiality
- Document every decision
- Monitor supplier performance
- Develop strategic supplier relationships

Current Trends

- Sustainable procurement
- Green tendering
- ESG criteria
- AI in supplier evaluation
- Blockchain in procurement
- Supplier risk analytics
- Digital procurement platforms

- Tendering is a structured competitive procurement process.
- Successful tender management balances cost, quality, delivery, and risk.
- Supplier selection should be based on **best value**, not just the lowest price.
- Ethical practices and digital technologies improve procurement outcomes.

Summary of Learning Objectives

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1. Define tender management.
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Thank You