

Competitive Dialogue: Developing the specification in exchange with market participants

The Competitive Dialogue is a procurement procedure in which the public contracting authority negotiates with potential bidders about finding a solution in structured phases prior to tender submission. It is used when the contracting authority is objectively unable to describe the technical requirements without input from the market side. For technical buyers and suppliers, the procedure offers early insight into requirements and the opportunity to help shape requirements constructively.

Key facts

- The Competitive Dialogue is a procedure type under procurement law (in Germany § 19 VgV), whose use is provided for complex services where no solution can be described.
- It proceeds in three phases: dialogue phase, final tenders with solutions and the negotiation or award phase.
- The dialogue must be structured and conducted with equal treatment; confidentiality of bidder knowledge is mandatory.
- The aim is a finalised specification that serves as the basis for the final tenders.
- In the private sector, comparable formats exist, such as structured Market Dialogues ahead of RFQs and RFPs.
- Typical fields of application are IT systems, infrastructure projects and complex manufacturing services

Definition: Competitive Dialogue

The Competitive Dialogue is a public procurement procedure in which the contracting authority works out the solution to the procurement project jointly with selected candidates. All participants invited to take part in the selection are invited to structured dialogue rounds. At the end of the dialogue phase, final solutions and, subsequently, binding tenders are submitted.

Legal basis and use case

In Germany, the Competitive Dialogue is anchored in § 19 VgV; comparable provisions also exist at EU level (Art. 30 of Directive 2014/24/EU) and in Austria and Switzerland. The prerequisite is that the contracting authority is objectively unable to describe the technical solution without prior market input. This is typically the case with innovation-driven, multidisciplinary or unique services, such as complex manufacturing services or integrated system solutions.

Distinction from other procedure types

Unlike open or restricted tendering, exchange with bidders is expressly welcomed and structured. In contrast to the negotiated procedure, the focus is not on optimising tenders already submitted, but on

the joint development of the solution framework prior to tender preparation. The dialogic specification resembles, in the private sector, the structured Market Dialogue ahead of an RFQ, which is used for new developments and prototype procurement.

Process and phases of the Competitive Dialogue

The procedure follows a legally prescribed phase model that governs the transition from open solution development to binding tender preparation. Clear milestones and documented transitions are crucial for legality and effectiveness.

Preparation and publication phase

First, the contracting authority describes its need and its requirements for the outcome, without already prescribing technical solutions. This is followed by publication of the contract notice with a selection procedure for participation in the dialogue phase. In practice, award-relevant criteria such as references, supplier capacity reconciliation and technical competence are reviewed here. The number of candidates admitted to the dialogue is frequently three to five, in order to ensure genuine competition while at the same time enabling efficient conduct of the dialogue.

Dialogue phase

Over several dialogue rounds, solution concepts are discussed, iterated and refined. Every remaining candidate must be given the same opportunity for exchange; if individual dialogues are curtailed or concluded, the other participants must be notified and, where appropriate, invited again. The contracting authority may announce a price-performance ratio, but may not disclose one bidder's solution proposals to another. At the end of the dialogue phase, the dialogue is generally concluded as soon as the solution can be described.

Phase of final tenders and award decision

On the basis of the specification developed through dialogue, final solutions and binding tenders are submitted. Following further reviews and optional post-tender clarifications to clarify or confirm commitments, the contract award decision follows according to the published criteria. The outcome is documented and the award process is made traceable.

Key KPIs for steering the procedure

Successful Competitive Dialogues are steered using metrics that capture both process quality and result quality. The selection of metrics is guided by the objectives: a transparent competitive structure, a high-quality solution and an award delivered on time.

Process KPIs

Typical metrics are the number of participants in each phase, adherence to the deadline schedule, the number of dialogue rounds per participant and the documentation rate of individual meetings. In practice, participant drop-out of less than 30 % between publication and final tenders is often regarded as a warning signal. In addition, the consistency between dialogue outcomes and the final specification is measured.

Result and competition KPIs

On the results side, of interest are the number of complete final tenders, the degree of price formation

compared with the cost estimate and the utilisation of the quality criterion. Where the service-level objective is used as an evaluation matrix, its degree of fulfilment serves as an indirect measure. A commodity value-driver analysis can additionally show whether the solution developed in the dialogue actually addresses the defined value drivers.

Risks, controls and structural safeguards

The Competitive Dialogue offers considerable design freedom, but carries significant risks regarding legal certainty, confidentiality and efficiency. Without structured control, competitive distortions and bidder losses can arise.

Procedural and legal risks

The central risks are unequal treatment of bidders, improper disclosure of solution knowledge and inadequate documentation. It is mandatory that no candidate's solution be disclosed to others without their consent. To counter this risk, experienced contracting authorities rely on standardised minutes, structured one-/two-envelope procedures (in practice comparable to a Two-Envelope Bid) and documented discussion guides.

Economic and operational risks

A further risk is that candidates invest resources in the dialogue and then withdraw in frustration after its conclusion, which harms the competitive situation. An overly open specification can also delay the project schedule. Industrial suppliers should be clearly aligned internally, for example via the Supplier Segmentation Matrix, which prioritises which dialogues receive which resources. Supplier capacity reconciliation before making commitments in dialogue meetings is equally important.

Controls and governance

Recommended are a procurement office with clear roles, a documented dialogue minute standard and, where appropriate, a crisis team for escalation cases. Internal division of tasks should be interlinked with ERP integration of procurement so that data protection and documentation obligations are systematically fulfilled. A procurement code of conduct can additionally anchor the culture-specific commitment to fair, equal treatment of participants.

Current developments and digital aspects in the Competitive Dialogue

Procurement procedures are increasingly digitally supported, and the Competitive Dialogue too is undergoing structural modernisation through AI-assisted tools. In addition, sustainability and resilience criteria are gaining in importance.

Digital support and platforms

Procurement platforms and e-procurement tools today offer structured dialogue forums, versioned document repositories and audit trail functions. AI-assisted enquiry tools can help consolidate requirements and already perform content enrichment of descriptions. ERP integration of procurement enables the seamless transition from the dialogue-finalised specification into ordering and delivery processes, including incoming goods inspection plans and material availability checks (ATP).

Sustainability, resilience and international projects

Currently, sustainability and resilience criteria are increasingly being incorporated into the evaluation of final solutions. Concepts such as Supply Chain Resilience Management and currency risk analysis in procurement are regularly used as evaluation dimensions for international projects. In cross-border projects with diverse supply structures – such as contract manufacturing abroad or purchased air freight cost components – early alignment in the dialogue gains in importance in order to minimise later dependencies.

Comparable formats in the private sector

In the private sector, too, dialogic procurement formats are increasingly replacing classic RFQs, particularly for new developments. Companies combine the Competitive Dialogue with upstream phases such as prototype procurement and initial sampling (EMPB) to reduce risks before series orders. What remains important is that the dialogue phase is treated contractually as clearly separate from later distinctions between contract for work vs. contract for services.

Typical metrics

Number of final tenders: at least 2–3

Competition maintained after the dialogue phase

Participant drop-out from entry to tender: > 70 %

Values below this indicate procedural problems

Dialogue rounds per participant: 2–4 rounds

Usual framework for complex projects

Adherence to procedural deadlines: > 95 %

Measure of process discipline and procedural certainty

Practical example

A medium-sized mechanical engineering company planned to develop a customised automated production line for a major customer and was unable to describe the technical feasibility and the integration logic without market input. The company used an internal format modelled on the Competitive Dialogue: following a statement of requirements, four selected system providers were invited to structured dialogue rounds.

- Structured two-phase dialogue: first solution development, then final tenders with Two-Envelope Bid separation of price and solution documentation
- Integrated supplier capacity reconciliation to ensure feasibility
- Early prototype procurement and initial sampling (EMPB) before conclusion of the framework agreement
- Documentation of all dialogue rounds with standardised minutes and uniform discussion guides

Conclusion

The Competitive Dialogue is a powerful procedure for complex procurement projects in which the solution cannot be described without market expertise. For technical buyers, its added value lies in early market integration and risk reduction through dialogue-finalised specifications. What is required is disciplined conduct of the procedure with documented equal treatment, clear phase demarcation and

measurable KPIs. Companies that use the procedure or comparable internal formats in a structured way typically reduce rework effort and procurement risks significantly. What is crucial is that the dialogue is not misunderstood as a free-for-all, but conducted as a governance-strong process with clearly defined transitions.

Frequently asked questions

What is a Competitive Dialogue?

The Competitive Dialogue is a procurement procedure in which the public contracting authority jointly develops the solution for a complex procurement project with admitted candidates in structured phases. Only after the dialogue phase is completed are final solutions and binding tenders submitted. It is used when the contracting authority cannot describe the technical solution without input from the market.

When is the Competitive Dialogue used?

Its use requires that the contracting authority is objectively unable to define the technical specifications on its own. This is frequently the case with large IT projects, infrastructure schemes, integrated manufacturing solutions or innovative developments. The decision to use the procedure must be documented and justified.

How does the Competitive Dialogue proceed in phases?

The procedure is typically divided into three phases: publication of a contract notice with candidate selection, several structured dialogue rounds for joint solution development and, finally, the submission of final tenders. After the dialogue phase, the specification is finalised and serves as the basis for binding tenders. The contract award decision then follows according to the published award criteria.

How does the Competitive Dialogue differ from the negotiated procedure?

In the negotiated procedure, the focus is on tenders that have been submitted, which are subsequently negotiated or optimised. In a Competitive Dialogue, the solution is developed first, through exchange with bidders, before binding tenders are submitted. The dialogue is therefore an upstream co-development phase, not a tender negotiation.

What does equal treatment mean in the Competitive Dialogue?

Equal treatment means that all admitted candidates receive the same information and structurally comparable opportunities for dialogue. Passing on one candidate's solution to other participants without that candidate's consent is not permitted. For this reason, minutes, discussion guides and, where applicable, separate envelope procedures are important control instruments.

Can the Competitive Dialogue also be used in the private sector?

The formal procedure is governed by public procurement law, but in content terms dialogic procurement formats can be readily replicated in the private sector. Companies here often combine structured Market Dialogues ahead of RFQs with prototype phases and initial sampling. What is crucial is a clear separation between the non-binding dialogue phase and binding contractual commitment.