

ACBA5006 Project Control & Contract Administration**Assignment 1 Alternatives to Traditional Tendering**

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1) Introduction to Procurement & Tendering

Often within the industry there is confusion between the differences of tendering and procurement. Procurement is the overall act of obtaining goods and services from external sources (i.e., a building contractor) and includes deciding the strategy on how those goods are acquired by reviewing the client's requirements (i.e., time, quality, and cost) and their attitude to risk. Whereas tendering is an important phase in the procurement strategy, but procurement involves much more than simply obtaining a price. It's the bidding process to obtain a price and how a contractor is appointed.

2) Considerations before selecting a procurement route

Firstly, external factors such as PESTLE must be considered to determine which route is most suitable. Secondly, how much experience and understanding does the client have of the industry? This is crucial, as some clients want to be involved in the project throughout and have their say, whereas others would rather let the contractor handle it. A level of collaboration tends to be beneficial where possible, as the client wants the work completed and they must be satisfied with the result.

3) Common Procurement methods

Traditional

This method involves separating design from construction. The client appoints consultants to design the project in detail and to ensure cost control and inspect the construction works throughout. This can be used if you have a strong one-to-one relationship with the client or team completing the design, otherwise, other methods may be more suitable. This allows for collaboration between consultant and client on how is best to design the project. Furthermore, the process allows the client to [1] "choose based on lowest price or the best quality or the combination that fits your needs". There will be a competitive tender between several main contractors and the most suitable will be selected depending on the client and consultant's preference. The selected contractor will then construct the project along with the consultant's guidance.

Design & Build

This is where the contractor is responsible for undertaking both the design and the construction of the project in return for a price. This is a modern twist on the traditional procurement route where the contractor deals with the design and building in comparison to just the building. This means that there are less points of contact for the client and there is less to keep track of. It should be used if cost and timing is crucial to the success of the project and if it is straightforward and unlikely to have any hidden surprises further down the line.

Management Contracting

[2] This is a form of construction where the client employs subcontractors directly. The client has a main contractor in place that is responsible for managing the subcontractors but is not in contact with them in the same way as with traditional procurement. The management contractor is usually appointed by the client early in the design process to benefit from their experience in terms of cost and buildability. Additionally, they can advise on packaging and the risks of interfaces.

Private Finance Initiative (PFI)

This method is used [3] “where the private sector finances, builds and operates infrastructure and provides long term services and facilities management through contractual arrangements”. A single integrated supply team is appointed with design, construction, and facilities management, which increases clarity with who is responsible, as there is only one point of contact. Once the project has been completed, the supply team are then responsible for maintenance for an agreed period from the point of completion. This will depend on the scale and complexity of the project. Due to this being a very long-term relationship it is imperative that the client defines their requirements properly and the quality and length of maintenance required.

4) Benefits from a good, well-run procurement process**Client**

They will benefit from multiple contractors competing for tender, which results in better value for money. This is beneficial, however, can sometimes lead to work being completed as cheaply as possible, rather than to a high standard. Choosing a reputable contractor with a good track record is a better alternative. When multiple contractors tender for work, the client can assess the contractors’ business and personnel before appointing them. This will allow them to make a better decision on which contractor is best suited. Additionally, the client can view previous work completed by the contractor and decide whether they are suitable.

Main Contractor

Contractors are encouraged to maintain a high standard of service throughout all projects, as a good track record is important for winning tenders consistently. Once a strong reputation is achieved, then tendering can become significantly easier, and clients will be more inclined to return for work if it was completed to a high standard. Additionally, contractors are encouraged to continually develop skills and become familiar with new emerging technology. This will increase their scope of work and allow them to complete jobs that other contractors cannot.

Consultants/Design Team

Members of the client's design team are consulted before a main contractor is appointed. This is important, as the design team should have a good idea whether the contractor is suitable to perform the work to a high standard. This is imperative, as some clients have very little knowledge of the industry and require others to help them make decisions. If incorrect procurement is selected, then the client can lose control over the project and the contractor may start to use the contract to their advantage. Therefore, transparency when confirming contracts and the legal implications of them is vital, as otherwise, there can be legal battles between client and contractor over disagreements within the project.

5) Selection of tendering contractors

The selection of tendering contractors is a crucial part of the process, as the quality of the project will rely on responsible, reliable tenderers. It is advisable to consider suitable contractors before the project begins, as they might have useful experience. This could be either previous work, word of mouth, reputation, or meetings with the contractor.

Open Tendering

This allows others to express an interest in a tender and is not invite only. Instead, the job is advertised in journals or on websites, which allows equal opportunities to submit a tender. The client will then narrow down the preferred contractors to the next process, where clients may request a [4] "pre-qualification questionnaire, or a pre-tender interview" to select the ideal contractor. The main purpose of this is to ensure that the contractors that applied for the tender are suitable for the job, instead of wasting time with unsuitable contractors. Single stage is the most common route and means that all the information is required from the suppliers to submit their tender when this commences.

Selective Tendering

This gives [4] "organisations more time for appropriate responses to their contract", as potential suppliers are invited to tender that have been pre-selected by the client. They [4] "will be assessed and approved as being able to complete the required work." This tends to be quicker in comparison to others, as the client has already narrowed down the contractors and has only invited preferred candidates. This style of tendering tends to be used for specialist works, where companies already have a strong reputation from completing projects of a similar nature. The issue with this is it can create bias in the process, where clients might disregard smaller contractors, due to their lack of reputation or financial backing.

6) Tendering Strategies

There are the main types of tendering strategy which are commonly used in construction, although there are subtypes of each. These are crucial for projects, however, the chosen procurement route will not affect

the tendering strategy, as each tendering strategy can be used with most procurement routes. The main three are as follows:

Single-stage Tendering

This is the most common strategy and is a competitive tender for obtaining a price for all the works. Invitations for tender are issued to suitable contractors who are given the opportunity to bid for the project based on identical tender documentation. The contractors are given an equal amount of time to submit their tenders and then these are analysed in terms of cost and quality before a contractor is selected. Other things taken into consideration are the contractors preferred sector and whether they have completed similar types of projects previously. Once a contractor is selected, they [5] “enter into a building contract with the client to deliver the tendered works” to the client’s satisfaction. This tendering strategy will usually have the most competitive price in comparison to other tendering routes, as it works off a single lump sum with a full valuation being carried out before the works begin, however, there are some drawbacks to this type of tendering. For example, if the contractor does not fully understand the client’s vision it could lead to issues.

Two-stage Tendering

This modern style of tendering has gained popularity within recent years and is often used where time is the constraint, as it allows the design and tendering to overlap, which reduces construction time. It can be used [5] “if the design process would benefit from technical input from a contractor in the later design stages”. The contractor is selected based off their bid, quality of team, preliminaries price, overheads, and profits allowances. These are crucial for clients as if everything is in order, there should be increased project stability and organisation. Once a contractor is appointed, they join the design team on a consultancy basis using a pre-construction services agreement where both parties work in tandem to complete the final design. This can be beneficial when a contractor is a specialist company, as it allows them to have a say in how is best to develop and construct the project. Throughout the project the contractor will be involved, which could improve or hinder the design. Therefore, it is vital to find a reputable, popular contractor that has plenty of experience within the field, that can work directly with the client throughout.

Negotiated Tendering

This is “effectively a single-stage tender with a single contractor who returns with an initial price”. This will then be negotiated with the client’s professional team until an agreement is reached. [5] “The benefit of this route is the speed with which an initial price can be obtained” because there is no formal bidding process. Therefore, the competitive element is compromised, and the contractor can determine costings. This can then lead to conflict and power struggles during work and therefore, many public bodies and

government departments will not allow this type of tendering except in very rare circumstances, as it is difficult to prove that value for money has been achieved.

7) Article Analysis/Breakdown

Collaboration

The perfect storm states that collaboration will improve outcomes, as clients are able to compare a wider range of outcomes, rather than reacting on basic capital cost. It states that “the collaborative relationship involves sharing the risks and resolving problems through the life of the project”. When collaborating effectively it can enable the process to run smoothly and problem solving can be achieved more efficiently. Additionally, by sharing the risk, the contractor is more likely to grant extra money back to the client if at the end of the project it is not required.

The difficulty with collaboration is that [6] “construction is a highly competitive industry, and each stakeholder is jockeying for that little piece of the pie”. Furthermore, [6] “each member of the construction team is forced to compete with the others to earn a reasonable profit; delays, conflicts, and disputes are common.” This is the same when it comes to clients and contractors, as the client wants to achieve the best value for money possible, whereas the contractor wants as higher profit margin as possible. This tends to put pressure on the relationship, especially if the client has their own consultancy team, pricing and designing for them. Sometimes multiple contractors might choose to tackle larger more complicated projects together due to the diversity of skills required for a specific project. This tends to be effective, however, has a lot of moving parts as to who is responsible for carrying out certain work. As previously quoted, this can lead to lots of quarrels.

[6] “Fostering collaboration and construction can be a lot like handing out that outline. By giving everyone a clear task list and making it obvious how those tasks contribute to the whole – as well as what other people are doing to contribute to the whole – you create an appreciation for and reliance on other departments, contractors, and stakeholders rather than enmity.” This encourages teamwork and strengthens existing teams as they must ensure that the work is performed to a high standard throughout. Additionally, this tends to reduce the number of changes and reworking required throughout the project, which mitigates delays and therefore, decreases the likelihood of the project going over budget. [6] “Successful collaboration is characterized by streamlined workflows, in which everyone knows their role, knows who to go to get the information they need (i.e., knows how to communicate properly), and feels safe completing their duties and allowing others to finish theirs”. This allows for groups to build trust and believe that others can complete work to a high standard and spreads the workload effectively within a team.

Alliancing and Partnering

The article states that alliancing and partnering in construction projects “involves two or more organisations working together to improve performance through agreeing on mutual objectives, devising a way for resolving any disputes and committing themselves to continuous improvement, measuring progress and sharing gains”. This is a similar process to collaboration and is a great way to increase a company’s reputation and further improve their standards. “The main difference between partnering and alliancing is that partnering aims and goals are agreed upon and dispute resolution and escalation plans are established but partners still retain their independence and may individually suffer or gain from the relationship. However, in an alliance the parties form a cohesive entity that jointly shares all risks and rewards based on an agreed formula.” This allows both contractors to benefit or share the losses and therefore, makes tendering safer by doing so.

The main issue is that “all the undertakings given by the parties, whilst invariably well intended and genuine, tend to be overtaken by the formal contractual relationship when significant problems arise.” This can be a challenge, as it can cause disputes and bitterness between contractors and their employees. Therefore, it is imperative that both contractors understand the implications of the contract before they sign themselves into it, as disruption will only cost both companies time and money with delays. The key to success with this type of contract is to work in tandem spreading the workload effectively.

8) Conclusion

Overall, I believe that collaboration, alliancing and partnering can all be very influential in improving the productivity and quality of a project. However, they can hinder contractors as they are not winning the tender all to themselves, therefore, potentially suffering a reduced profit margin. It allows them to build a strong relationship between teams and broaden their skills within the sectors. In the future, I’d expect to see this type of tendering more frequently on larger projects instead of traditional, as in my opinion the added benefits outweigh the negatives. In terms of alternatives to traditional tendering, there are many suitable options that can be used depending on the scenario. These are gaining popularity, as clients and contractors are realising the benefits that come with them.

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