

## Alternatives to Traditional Tendering

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## 1.0 - Introduction

In the construction industry there are a variety of methods for procurement and tendering. This report is going to look at the alternatives to traditional tendering, the obstacles faced with other methods, along with what is preventing the UK having a better approach to procurement and tendering. The aim of this research is to assess how the level of quality is affected by price. Many contractors will sacrifice quality, to ensure they are the cheapest tender to win the contract by the traditional tendering method. It is common practice for a comparison to be completed for each tender received, which will compare the price, time required, as well as references if requested.

## 2.0 - What is Procurement and Tendering

Procurement is the process of getting a service or good. In construction, this would be the type of tendering strategy used e.g. traditional tendering. Choosing the wrong procurement method can affect the whole project, as this can damage the level of quality, time required and the overall cost (Investopedia, December 2020).

A tender is a submission from a potential contractor that will show the cost to carry out the works requested. Multiple tenders would normally be received to ensure a comparison is carried out. This will compare the contractors price, as well as making sure they have included what has been requested within the tender pack (*The NBS, March 2011*).

### 2.1 - Traditional Tendering

Traditional tendering the most common method of procurement. The client, or principal contractor, would provide a tender pack to a list of contractors. The tender pack will usually include the site location, architects and engineering drawings, site investigation and specifications. The contractor will then submit a price with a break down of what they have included, as well as excluded. It is important that a review is carried out for all tenders submitted to ensure a like-for-like comparison between the contractors. Once this is completed the contract is awarded, usually to the cheapest quote (*JCT, 2021*).

## 3.0 - Design and Build Procurement

The design and build method would involve the client creating a brief of how the building should look, as well as the main use of the building. This would be designed by a potential contractor tendering for the project. The contractor can outsource a designer, engineer or architect to complete the drawings. The principal contractor would also oversee the “*planning, organisation, control and construction of the works*” (*JCT B, 2021*).

Unlike traditional tendering, this can allow the main contractor to work hand in hand with the design team. An advantage of this is communication with the client and ensuring the requirements of the project are met. It is common that a design and build method would result in a fixed price contract, which gives the client a better expectation of how much the total project will cost. However, the price can change if there were amendments to the drawings, unexpected works or material cost increases (*Market Design and Build, November 2021*).

## 4.0 - Management Procurement

Management procurement is where you would appoint a management contractor to be in charge for over seeing the whole project, including the sourcing of materials and the managing of staff. The project manager would be appointed early on and would oversee all aspects of the project. This includes the hiring of individual contractors, such as bricklayers, electricians and decorators. Hiring each contractor individually could increase the quality as they will specialise in that trade. A disadvantage of this would be the increased time it would take to award each contract. Each tender would need to be assessed and compared. It is also important to receive a reference for a contractor to ensure their capable of the project scale and level of quality is acceptable (*Michigan University, April 2021*).

## 5.0 - Collaborative Procurement

Collaborative tendering is defined by two or more organisations coming together to achieve a better project outcome. This is done by sharing knowledge and skills which can increase quality and improve planning, which can result in a shorter programme. An example of this would be collaboration between all specialists to ensure an effective gantt chart is produced, clearly demonstrating the desired dates for each trade to start and end. However, unexpected delays can arise which experience cannot foresee, such as weather, delivery delays or shortages (*Building Wiki A, February 2021*).

A disadvantage of collaborative tendering is that it is a new method which many people haven't worked with. This could cause some individuals to be reluctant to work on a scheme incorporating this method. It can also cause conflict between the team, as disagreements can arise during the project due to difference of opinion. This method will also incur large costs at the start of the project due to the increased staff. An advantage however, would be the ability to set a budget early on in the project, as well as the ability to make amendments to decrease the project overall costs (*Pro Crew Schedule, 2022*).

As long as the whole team works collaborates, the method is effective. This can increase client satisfaction, achieving the projected completion date, as well as improving the contractors reputation if the project is successful (*Pro Crew Schedule, 2022*).

## 6.0 - Obstacles Associated with Collaborative Procurement

Some of the main issues with procurement is that the method chosen is significantly based around money. Issues can also include, risks and a fragmented industry. These points highlighted will be applied to the collaborative method of procurement.

### 6.1 - Risks Associated with Collaborative Procurement During a Project

Many construction projects will have similar issues; for example, labour, productivity, health and safety, costs, material shortages or delays. There may not be a way to remove all risks in a project, but there is a chance to decrease the issue which can occur (*Common Risk Factors, January 2021*). When choosing a contractor, it is important to ensure they accept a portion of risk and responsibility for their work within the project. This can be assured by the contractors having correct insurances, signed contract terms and conditions. Research has been carried out by Akintola and Jamie, which highlights the three biggest risk factors and negative effects on a projects procurement. These are

lack of trust, complacency (failure to honour the agreement made) and dependence. The research also states that a good level of communication is the key to smooth procurement and achieving the required standard on the project (*Akintola & Jamie, p. 6*).

Another possible risk can be affordability. If the business does not have liquid cash, they cannot afford to pay contractors carrying out the works. Getting loans can often be difficult, which also depends on the method of procurement and ability to provide a solid cost estimate. As the project lifecycle can also change with amendments, unforeseen issues, or delays, this provides uncertainty with banks and continuous increased loans (*Pro Crew Schedule, 2022*).

## 6.2 - Fragmented industry

Fragmentation has occurred in the construction industry as over the years the projects have become more complicated and difficult to construct, this involves many teams over different departments and different stages taking part to achieve the same goal with the projects outcome, e.g a building fit for purpose. This has caused the construction industry to break into different areas to help share the work load, as the buildings have become more complicated to build it requires more information and planning before any work can begin and this will included using many different people as everyone will have their own individual expertises needed for the projects (*Building Wiki B, April 2021*).

Fragmentation in the industry causes lack of communication between the different stages and departments, one of the biggest downfall comes from the design team and the contractor. The communication delays normally come between the different stages e.g. the pre-construction, the construction and the post construction phase but the biggest issue will come from the design stage (pre-construction phase) to the construction phase. This issue will arise due to the fact that the design team do not communicate with the contractors to understand how they are going to construct the project, this will cause issue such as scheduling with the gantt chart, delays and disputes during the construction phase. The fragmentation issue is causing the projects productivity from being the highest it can be, meaning they may not hit the targets deadlines with the individual tasks as well as the projects completion at the date agreed upon between the contractor and the client will be most likely be postponed (*EDP Sciences, 2014, p. 2*).

## 7.0 - “The Perfect Storm” James Cash

In the article The Perfect Storm, Cash states that when choosing a procurement method the client needs to change their opinion on certain areas of the industry some of the areas being value of quality , a continuous loop and that people believing lower cost is better (*The Perfect Storm, 2021*).

### Value of Quality

The quality that people desire is not easily achieved, as Cash states that there is “Little motivation for designers, contractors and suppliers to engage” this causes mistakes and workers not completing the best practices. These issues can prevent the projects achieving the expectations of the value of quality that the client or building user would like. Cash believes by changing the “approach and behaviour’ of the teams behind the design and build, will increase the productivity and force more areas of the construction industry to work together which should help increase the value. It seems that Cash

believes the quality issue will only be better through improving different aspects of the industry (*The Perfect Storm, 2021*).

Another issue that quality faces is stated by Cash is that “clients didn’t have common standards and there was also a lack of knowledge.” Standard levels with people are normally effected with the amount of disposable income people have or are willing to spend on purchases. As everyone’s financials are different this causes variations in standards. The different standard levels can also be because of what the property will be used for, as a hospital wouldn’t have a high specification but a client would want a high quality house, as hospitals are basic plan rooms with high end equipment while a house would be decorated and furnished with a purpose for a different use (*The Perfect Storm, 2021*).

### A Continuous loop

The construction industry according to Cash is stuck in a continuous loop, this loop involves clients choosing the contractor based on the lowest cost believing that it helps indicate the value. Cash believes that the reason behind this is because of the “Complexity and under-performance”. Construction organisations believe that the best way to stay competitive is to reduce costs, Cash states that this causes contractors to “chip away at quality” and as the material quality is considered the first way to reduce the costs. As material cost is the first to be reduced, it makes the client believe that “if they cannot guarantee the quality of the build, they should pay as little as possible”, which helps imply the lower cost is best. “Ultimately the product changes to reflect the price that’s paid.” The contractor will change the products to keep the profit margin higher, as they will add an additional percentage on the material and labour cost to better the company (*The Perfect Storm, 2021*).

This continuous loop links back to the value of quality as people want to pay the minimum amount, but still have the best quality products.

### Changes to prevent Financial Crisis

Changes need to take place to avoid pricing pressures, as the entire economy is trying to recover from the Covid-19 global pandemic. Cash believes that the change won’t take place and that the financial risks will continue to rise as the “client’s choice of procurement pathway remains predicated on an assumption that lowest cost is best value”. The clients are causing the supply chain to fight against each other by lowering their unit cost just to be able to get customers and “remain solvent”. Cash also says about how contractors should know what all the products are gonna cost before entering a tender. As clients don’t know what products should cost and they also don’t give a realistic approach to how much they good quality materials cost, but “they just know what is cheapest” the contractor will have to try and educate the client to improve their knowledge on materials and cost (*The Perfect Storm, 2021*).

To help prevent the financial issues Cash believes moving to collaborative working will help close any issues between “on-site, and off-site; design, build and facilities management” by having more help earlier on it can also help “clients accurately price projects in a way that delivers sustainable benefits for all.” This can also help achieve the clients perception on high quality (*The Perfect Storm, 2021*).

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