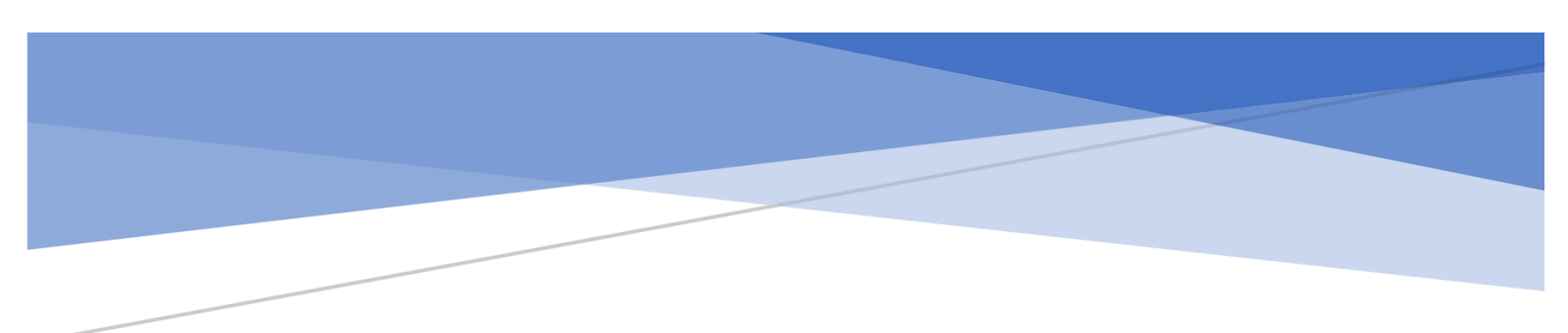




ACBA 5009 – Learning Contract

What are the different types of tendering strategies and what is the best tendering strategy for new build construction projects?

Lukas Mark Molnar Riis (2015801)
2015801@student.uwtsd.ac.uk

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Chapter 1

Introduction

In this research project I will be looking at tendering strategies used in the UK construction industry, I am going to be linking these tendering strategies to new build construction projects. My aim is to link the two in an attempt to work out best tendering strategy for new build projects. I want to collect data in using different research methods, I think this will give me more reliable data than if I trust one research method. I want to get information from sources with information already known, as well as collect my own data to see if there is any correlation between the two, I believe this way my information is accurate and I can trust that it is correct more than if I took the route of one research method.

I am interested in this area as I work a lot with tendering in my apprenticeship. I enjoy tendering both in submitting a tender return and sending out enquiries. I want to ensure we are taking the best approaches towards tendering, as well as find out what makes the difference when choosing the best strategy for the type of project at hand. I have focused on new build projects, and this is one of the many different types of projects we work on.

Chapter 2

Literature Review

See below my secondary research carried out on the different tendering strategies provided in my research proposal;

Types of tendering

Firstly, a common tendering strategy is single stage tendering, and it is a process where all information needed to submit a tender is supplied to the tenderer or tenderers. This means that a total price for the works can be submitted in the tenderer's bid. As the tender information needs to be as accurate as possible to submit an all in price, this process is usually carried out at RIBA Stage 4 when information has been gathered already.

The client sets a tender deadline so all tenders can be submitted by that point, after this they will analyse the price each tenderer has submitted as well as consider the level of quality they can expect from the tenderer. Once this has been done the client will select a contractor and they will be awarded the works contract. (RICS, 2015)

Two stage tendering is another tendering strategy which has now become more common in projects where the time until works need to commence is short. Another reason two stage tendering has become more common is because it allow design to carry on whilst works commence, which in turn allows an input from the contractor to the design team which can help a lot ensuring the project is successfully run. Due to the enquiry being able to be sent out to tenderers earlier than single stage this can be done in RIBA Stage 2 or 3, when not all information has been accurately collated but enough for some prices to be submitted and for works to commence.

An all in price for the entire works is not submitted and instead the contractor and client can liaise and a price can be discussed further down the line. Quality of work, preliminary prices, overheads and profit are discussed in greater detail. The contractor can then work with the design team, up until around RIBA Stage 4 where a price can then be submitted for the finished design works. (RICS, 2015)

Another tendering method is negotiated tendering, this is where usually a contractor is selected due to their track record in the construction industry or due to their previous relationship with the client. The tender information is shared with the contractor and they can then discuss the project, as well as work processes and pricing. Both parties here can have a good understanding of what will be required from one another during the course of the project. (RBKC, 2020)

The last tendering method I have researched at this point is open tendering. This type of tendering allows anyone to submit a bid, meaning there is an opportunity for smaller companies to make a name for themselves rather than tenders being restricted to companies with a good track record in the industry. The downfall with open tendering is that all tenderers that submit a bid may not be suitable to carry out the works, because of

this a lot of time can be wasted by the client reviewing tenders that are not going to be a successful bid, and as the tender is open the amount of the tenderers will be a lot higher than a selective tender, where a list of approved contractors are sent the enquiry. (Opus Kinetic, 2019)

New build projects

As well as researching different tendering strategies, I want to look more in depth at some of the reasons why a certain tendering procedure would be used over another one. During the pre-tendering phase of a project the particulars of a project should be outlined to a consultant. The consultant will assess the information given which can consist of the project type, works being carried out and materials used and their value in order to make a decision. (OECD, 2009)

When looking at which tendering strategy would be best to use we know that the project details are important but the different details of a project can give us indications of what type of strategy would be best. For example a project might need a quick start on site rather than a slower progression into the project and this would effect which type of tendering strategy is used. The stage the project is at is also important, if a lot of design stages and revisions have already occurred then this needs to be considered when choosing a tendering strategy, in comparison to a project which might be on a smaller scale or is yet to go in to an advanced level of design. The level of risk apportioned to the contractor will effect the choice also, where some tendering strategies can give more responsibility to the contractor in terms of input on design so they can make changes as they choose. (RICS, 2015)

Whilst I have gone through a lot of background information that is known about the different types of tendering, I also need to investigate the information on new build construction projects, this is so I can link this to my topic area and be able to get the answers I am looking for. Whilst carrying out secondary research into new build projects I have noticed that modern methods of construction are often linked to new builds.

The strains being placed on the residential sector of the UK construction industry are high, with a shortage of skilled workers and workloads increasing the difficulty to deliver large scale developments are rising and rising. A 2016 report by Mark Farmer called *Modernise or Die* recognised a skills crisis in the sector and found there will likely be a 20-25% decrease in the construction industry workforce throughout the next decade with an ageing workforce. Looking into reports like this one and many other similar the Government and the Construction Leadership Council on the 5th of July 2018, published a £420m investment called the Construction Sector Deal in order to help the construction industry transform to adapt to modern times. This deal has been made on three main points, digitising which is involved in developing digital technologies in construction so the data is more accurate. Next is manufacturing, the productivity of manufacturing is to be increased as well as the safety and quality which will in turn increase the use of more modern types of manufacturing. And the last key to the Construction Sector Deal is performance, improvements to the whole life performance using energy efficient smart assets. Housing shortages and problems with quantities, quality and cost of the construction of new housing

has caused a surge in the need for modern methods of construction as a solution to resolve this. (RICS, 2018)

One of the main types of modern methods of construction is off site manufacturing or off site construction. This when the design, planning, manufacture and pre-assembly of key components of a building are completed away from site usually within a factory. As well as developments with different types of off site construction, some processes of on site construction and assembly of materials are also being developed and good progress is being made. Off site construction currently being focused on includes 3D primary structural systems, 2D primary structural systems, non-systemised primary structure and additive manufacturing. The site based construction being improved includes non-structural assemblies and site process led productivity/assurance improvements. This is all helpful to know, as I know that when modern methods of construction are being used on a project, this can affect the type of tendering strategy being used and the approach to the project. (Kier, 2020)

Chapter 3

Research methodology

With the research I have gathered so far and the more research I will amass, I can use this to survey people within the industry to see what kind of tendering strategies people would side with using, this is a quantitative method of research. I will carry out these questionnaire style surveys with contract managers, project managers and quantity surveyors as well as some other contractors. With the responses I receive I can get a different perspective on which tendering strategy would be most useful and effective for new build projects. The professionals I speak to will be people involved in new build projects that I have an involvement with, this way the data I collect will be accurate in comparison to speaking with professionals involved in different types of projects.

After I have gathered more data I can begin to start more in depth comparisons of the different types of tendering. I aim on gathering data both through surveys carried out by myself and by researching online, books, journals, guides and so on. The comparisons I make must be linked directly to new build projects, as I have mentioned that the different types of projects will come with different types of requirements and of course this means different tendering strategies will be better for different types of project. If not linked directly to new builds, my information will be more aimed more towards a broad idea of all construction projects.

Another method I will look to use in order to gather more information is by carrying out an interview with a relevant person in the field of construction. This will give me more in detail data which could turn out to be more effective than the surveys as the information can be more specific and in detail when speaking to a person for a longer duration of time, and being able to go more in depth with questions, this form of research is a qualitative method of research, therefore my overall approach to research is a sequential mixed method as I am expanding on my first method of research, the research I am carrying out is also similar to a pragmatic philosophical worldview approach whereby I am using a mixed method and trying to find the solution to a problem where the correct tender approach for a new build project is the solution and the problem is not knowing which tendering strategy would work best for this style of project. OpenLearn, (2020), SAGE, (2019)

As I mentioned, I am going to collect some primary research, and with the data I get from this I will expand on some of these ideas and analyse why I have the information I do. Below is the questionnaire I have prepared, this will be shared with some of the professionals in the construction industry I work with from a range of roles.

Tendering strategies for new build projects

A short questionnaire to collect data for my HND.

What company do you work for? *

Short answer text

What is your role within your company? *

Short answer text

What tendering strategies does your company tend to use most often? *

- ☐ Single stage
- ☐ Two stage
- ☐ Selective/Negotiated tendering
- ☐ Open tendering
- ☐ Other...

Are you involved in new build projects? *

- ☐ Yes
- ☐ No
- ☐ Mainly
- ☐ Occasionally

What type of new build projects or other projects are you involved with? *

Short answer text

Do you think your company uses the best tendering strategy available for your company's project types? *

- ☐ Yes
- ☐ No
- ☐ Other...

What do you think is the best type of tendering strategy for new build housing projects? *

- ☐ Single stage
- ☐ Two stage
- ☐ Selective/Negotiated tendering
- ☐ Open tendering
- ☐ N/A
- ☐ Other...

What do you think is the best type of tendering strategy for new build commercial buildings? *

- ☐ Single stage
- ☐ Two stage
- ☐ Selective/Negotiated tendering
- ☐ Open tendering
- ☐ N/A
- ☐ Other...

What do you think is the best type of tendering strategy for new build infrastructure buildings?

- ☐ Single stage
- ☐ Two stage
- ☐ Selective/Negotiated tendering
- ☐ Open tendering
- ☐ N/A
- ☐ Other...

In a short explanation, what is your reason for the last three answers? Please state which answer you are referring to and only explain where you have

Long answer text



Paragraph



Required

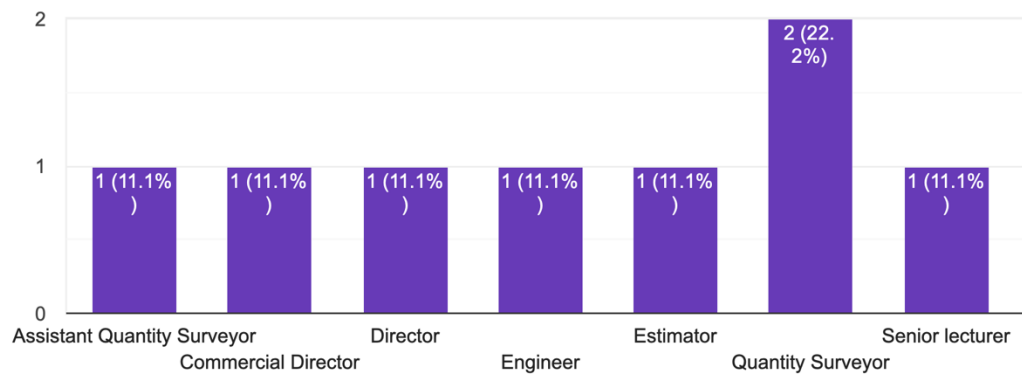


Chapter 4

Primary Research Results and Discussion

What is your role within your company?

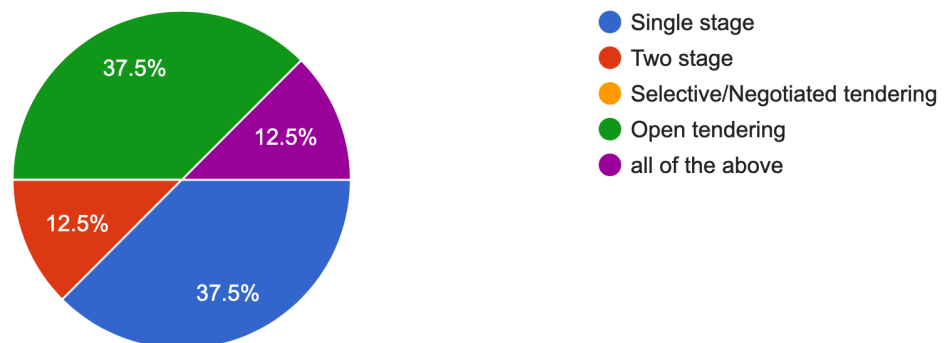
9 responses



As you can see from the second question of my questionnaire, I have received answers from a range of people working within the construction industry in some way. I am hoping this provides me with accurate information as it won't be all from the same point of view.

What tendering strategies does your company tend to use most often?

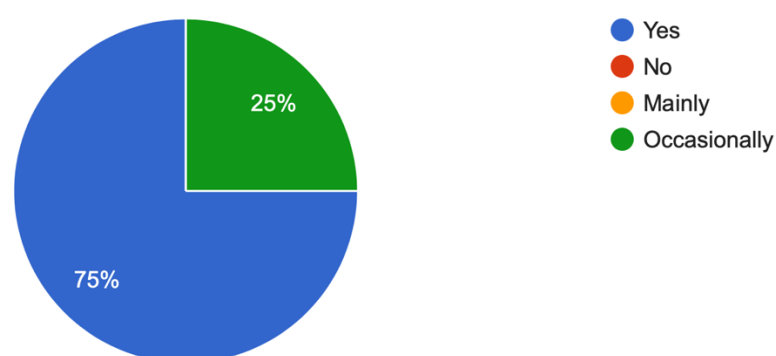
8 responses



In my next question I have asked is which tendering strategy they use most often in their workplace, which in turn would be the tendering approach they would use the most day to day/personally. One of the two most common answers was open tendering, possibly with the rise of advertising portals online being developed further in recent times for example Sell2Wales and MyTenders this has caused more companies in the UK construction industry to take this approach when tendering. The other answer with the most responses was single tendering, I will look into this more later on.

Are you involved in new build projects?

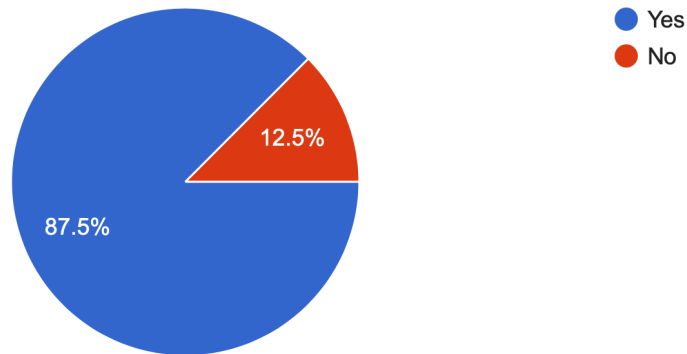
8 responses



My next question goes on to whether or not the person completing the questionnaire is involved in the type of project I am looking into. As we can see from the responses, everyone who filled out a questionnaire has some involvement, some are mainly based on new build projects and others vary but are still involved from time to time.

Do you think your company uses the best tendering strategy available for your company's project types?

8 responses

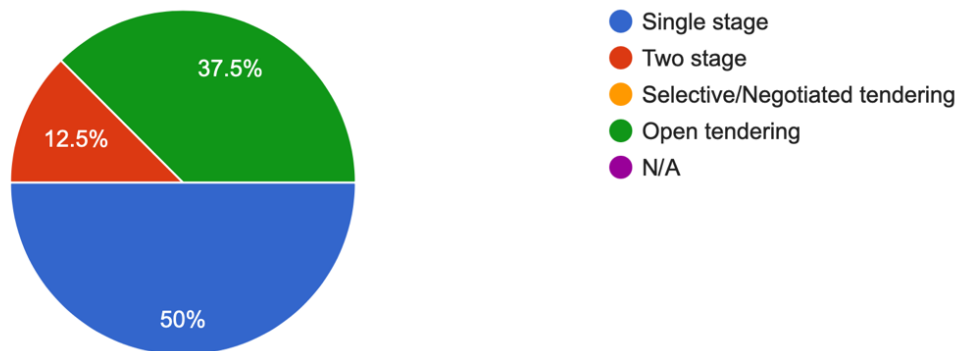


One of the following questions was quite an interesting one, to see if the people filling the questionnaire were happy or confident that the company they work for use the best tendering strategy for them. For some this would be for other projects as well as new build projects so maybe the tendering strategy they use is the best for their company as a whole but not for new build projects specifically as we have seen not all people are just on this type of construction project. In total 87.5% of people said they do think their company used the best tendering strategy for them, and a small number of people said that they do not believe they're company is using the best tendering method. For the people who said no, this could be due to them using another method previously or having the knowledge of other tendering strategies and thinking that they would be better suited for their work.

For the next three questions I wanted to see what the industry professionals thought was the best tendering strategy for more specific types new build projects, I mainly wanted to do this so I could see if there was much difference between the different builds.

What do you think is the best type of tendering strategy for new build housing projects?

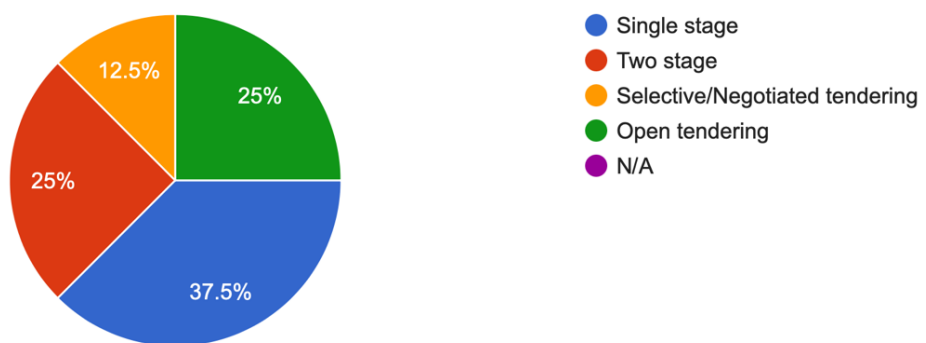
8 responses



The first was new build residential projects and as we can see half of the responses were for single stage tendering, followed second by open tendering and the last answer but with the least amount of responses was two stage tendering.

What do you think is the best type of tendering strategy for new build commercial buildings?

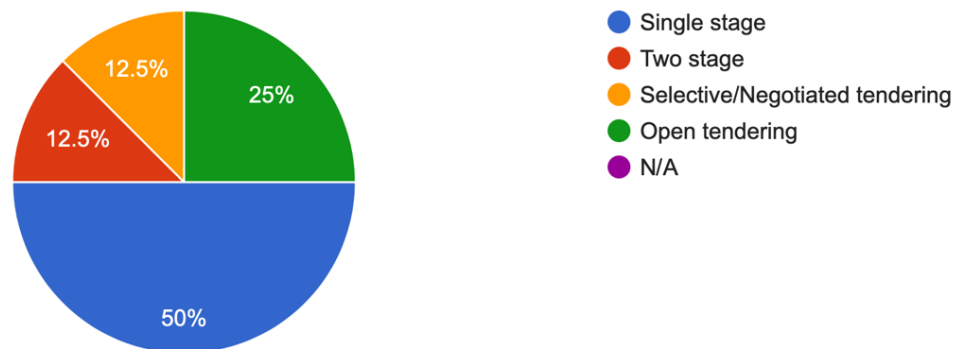
8 responses



The next question was focused on new build commercial projects, and again the most common answer was single stage tendering, followed by two stage tendering and open tendering which both had the same number of responses, and with the least number of responses but still chosen was selective or negotiated tendering.

What do you think is the best type of tendering strategy for new build infrastructure buildings?

8 responses



The last type of project I wanted to look at in more detail was new build infrastructure projects, and once again the most common answer selected was single stage tendering, similarly to new build residential projects had half of all responses. Open tendering followed with half that of single stage and quarter of the total responses, and two stage tendering and selective or negotiated tendering were where the remainder of the responses went.

Following on from the previous three questions I wanted the professionals to expand on why they have chosen the responses they have. I thought this would give me and even better insight as to why they believe each tendering strategy should be used for these types of project specifically.

Open tendering allows for fairness within the industry.

Above is one of the first responses, they have selected open tendering as their preferred tendering strategy and make a fair point. Open tendering allows for great competition in tendering, and enables smaller companies or newly founded companies to make their way into the construction industry, possibly making a good name for themselves. (Altura, 2020)

Single stage is the simplest method for new build projects.

Above is the next explanation given to support that person's answers, this was clearly one of the people who has chosen single stage as the best tendering strategy for new build projects. Again, they make a good point which would be in the favour of single stage tendering as the best possible method. The reason single stage is a simpler method of tendering is because almost all of the information needed to submit a price for the works is available to be used at the time of tendering. This makes the process a lot more straightforward as there are not so many items in a quotation which are in contention. As well as being simpler for the tenderer, the process is simpler for the project quantity surveyor(s) or estimating team to work through and find the best tender return as again all the information is in the quotations, and the price is in front of them. (Parker, J, 2018)

A Two stage tender will give greater cost certainty and a managed risk.

Differently to the other explanations I've received, this person who is a director involved with new build projects has chosen two stage tendering as the best possible tendering strategy. They mention cost certainty, this is a brilliant point to make when talking about tendering for any type of project. The tenderer has an even better-informed understanding of the project as more discussions have been had, information is more accurate and there are less items that the tenderer might not have been too sure of. When a tenderer is unsure of any further needed information needed in order to price works, they are likely to make more of a cost allowance for these types of items. So, with better understanding of the project and what is going to be involved they can now be able to give a cost saving on some items where they may have made an extra allowance as mentioned, benefiting the client. The contractor is also engaged with the programme, with this they can inform the client when would be best for them to carry out their works helping with the projects logistics and meeting their completion dates, with this there is less chance prolongation costs will be enforced again increasing overall cost certainty. With more information being presented to the tenderer the risk is more on them to deliver the project correctly which is good risk management for the client, but this type of tendering process still benefits both the client and contractor. (Rutherford, H & McMonagle, J, 2020)

Single stage tender doesn't result in too many tenders for the PQS to analyse but results in a competitive price. I would consider two stage for complex commercial builds to get involvement of the contractor in the design.

The next answer is clearly in support of single stage tendering. They mention the benefits for the project quantity surveyor as they will not have so much work in comparing tender returns. They also mention two stage in their answer, but they would only consider two stage over single stage when it is a new build commercial project, this is because and as they mention the complexity with this type of project is helped by the early contractor involvement in design and general project input.

Single-stage is the best for its simplicity for the project quantity surveyor, two-stage is good for working more collaboratively with contractors when the project can get more tricky in its design as well as allowing more input from the contractor.

The next explanation after this one is very similar to the last in its support for single stage tendering in general and two stage tendering for more “tricky” construction projects, again for the reason of early input from the contractor.

The points that the last two have made is an interesting perspective as the government's Construction 2025 strategy has indicated that projects are not reaching their full potential in value due to the procurement process not being as effective as it needs to be. Part of procurement is tendering, and with two stage tendering higher levels of collaborative working can be achieved, as well as early contractor input as previously mentioned, which can likely help solving this problem. (Garner, B, 2020)

For the next part of my primary research as I mentioned I wanted to interview a relevant person in who is a professional in the UK construction industry. I approached one of the people who completed my questionnaire, he is the director of an external's construction contractor who works as both a tenderer as a sub-contractor and sending tenders to sub-contractors as a principal contractor. I wanted to go through their answers and expand on the reasoning behind their answers as they have also stated they work on a variety of new build projects so this would give me some very useful information.

In one of their first answer's, they have said that their company uses all types of tendering strategies. This is mainly from a tenderer's point of view as clients will use many different methods from company to company as they have different structures and set ups which they choose to use. When they send tenders out, they like to use a single stage tendering strategy as well as two stage tendering in some cases where they believe necessary.

My next question was based on the question; “What do you think is the best type of tendering strategy for new build housing projects?”, my question in the interview was:

“For new build housing projects you have selected two stage tendering, why do you think two stage tendering is the best approach specifically for these types of projects?”

Their answer, “Companies who have worked for us in the past are sent out tenders in a single stage or two stage process, so tender and price in most circumstances. Our approach is similar to selective as we have a group of sub-contractors who will be sent tenders either from reputation or past working relationships, for example our paving contractors. Single stage is the easiest method and two stage is used to work on from this in the later or earlier stages.”

My next question in the interview was:

“You reason for selecting two stage tendering in the questionnaire was due to a greater cost certainty and a managed risk, what do you mean by these statements?”.

Their answer, “Two stage to us is where we go out to the marketplace for the initial design, then there is time for any design tweaks, and you go back out again. We usually speak to the people with the best price for information and any cost savings from their tender return. Although overall single stage tendering is the simplest method and easiest for us to work through tender returns, but two-stage tendering allows for a greater control of risk management, it gives a more guaranteed price”

My next question was:

“Do you think it is useful to have an early contractor involvement in the project?”

Their answer, “Yes. Absolutely for design input. And with this design input we get a greater cost certainty. In some cases we are the sub-contractor and we are asked to design and build, with our design we are usually asked to build the works too as we have just been asked on a project called Princess Quarter in Cardiff today. When we design the works it is the best and safest option to also construct the works. This is two stage tendering to a tee.”

Looking at the answers they have given for some of the questions asked, the information goes a little bit more in depth again from my questionnaire. But when speaking to them, these types of answers will back up the information already collected from my questionnaire as they are very similar to other people’s answers who have aided me with my primary research. With the above answers from both my questionnaire and interview I believe I can draw a good conclusion.

Chapter 5

Conclusion

After researching my topic area both through secondary research looking at online websites, e-books, reports and many more sources of information, and my own primary research using questionnaires and an interview I have collected a lot of relevant information which has helped me in determining the best possible tendering strategy or strategies for new build construction projects in the UK construction industry more specifically.

The most common answer as to the best method was single stage tendering from all methods of research. Single stage tendering had a better reason than the other methods as to why it would be the best for new build projects. Single stage tendering allows for the most simplicity and fairness. When single stage tendering is used the quantity surveyor or estimator who is reviewing all tender returns is not drowned with information to look at. The price is in front of them and the quotation for the works they are pricing is set out and described, this way the quantity surveyor or estimator knows what is included for in the price, they will know what is not priced for and if they have made any allowances they think they will need to carry out the works. This is a great benefit when working on new build projects. New build projects can be large in size and so a lot of works will be involved, and with this a lot of tender returns will be received by main contractor. All the information is there for the tenderer to work out their price, so not only does this method create a great benefit for the main contractor and client but also to the contractor's submitting their bids. Simplicity is good for the tenderer but they will also have fairness as all tenderers will have the same information at hand. A competitive price can be submitted because if all information being supplied is the same, prices should not be too far out from each other. If a method such as open tendering is used for new build projects, the problem would not only be the quantity of tender returns but the relevance of the bid cannot always be trusted. With single stage tendering a group of contractors with a good reputation or qualification are sent tenders so information will usually be relevant for what the main contractor or client is looking for, as well as having the knowledge to competently carry out the type of works in question.

Although overall the best and easiest method for new build construction projects is likely single stage tendering, two stage tendering is a similar approach and also has a good reasoning as to why it is suited well with new build projects. New build commercial projects can become complex with their needs and items included in the finished build. When a complex project like this is being dealt with, then two stage tendering would be a better fit than single stage tendering. Earlier contractor involvement means design input can be shared from the contractor, and if something works better with this input then the design of the project can be changed to suit this, this will likely result in a more successful project. With this expertise and changes to design, the cost is likely not going to vary as much so the price of the tender return will be a more accurate idea of the overall cost of the works. All in all, the best method for new build projects would be single stage tendering generally, but if the project is more complex than usual and involves a lot of specialist works, two stage tendering is more suitable to get a reliable tender return.

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