

UNIT III

ORGANIZING HUMAN RESOURCES AND CONTRACTING

Topic 6: Tendering and Selection of contractors

What is a tender?

When an organisation needs goods and services, it may invite other parties to submit proposals or bids. This invitation is formally mentioned to as a Request for Proposal (RFP), or Invitation to Tender, and the process is known as tendering for business. A crucial part of this process is the tender document, which provides the buyer's criteria to select suitable contractors and suppliers, and includes all the information needed to give pricing on the proposed scope of work.

Anytime a buyer publishes a request for goods and services and invites suppliers to respond, whether offering a formal contract, asking for pricing, or simply seeking information on available supplies, it might be referred to as a Tender. However, each type of request can differ in terms of the documents required and the intended outcome.

Various organisations across many industries and sectors, including public, private, and not-for-profit, use different forms of the tendering process. The specific form of the tendering process may also vary based on the value of the goods or services being sought.

What is a tender in construction?

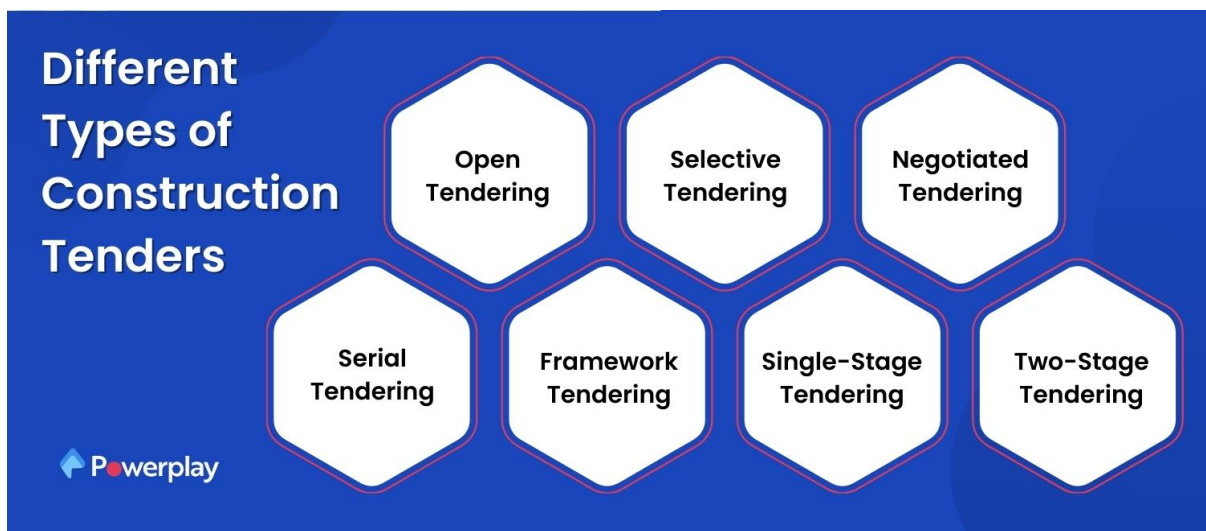
A tender in construction is a formal process where an organisation invites contractors to submit bids for a specific project. The tender process involves several stages: inviting to tender, bid submission, evaluation, and contract award, and is crucial in the engineering and construction industry. The aim is to select a qualified contractor based on cost, experience, and compliance with project specifications. Tendering ensures a transparent and competitive selection process, commonly used in government, IT, engineering, and construction sectors, to ensure fairness and quality in contract awards.

Why is a Tender in Construction Required?

A tender in construction industry is required to ensure a transparent and competitive process for selecting contractors. Thorough reading and understanding of the tender documentation is crucial for prospective bidders to provide clarity and understanding. It allows clients to evaluate multiple bids based on cost, experience, and compliance with project specifications.

This process helps obtain the best value for money, mitigate risks, and ensure that the selected contractor meets the project's requirements. Furthermore, tendering is often mandated by legislation or procurement policies, especially in the public sector, to maintain fairness and impartiality in awarding contracts.

What are the different types of construction tenders?



In construction industry, there are several types of tenders in construction used to select contractors for a project. These methods, such as open tendering, pre-qualification/selective tendering, and negotiated tendering, each have their own pros and cons depending on the specific scenario. These include:

Open Tendering:

This is accessible to all interested contractors who can submit bids through an open tendering process. It encourages maximum competition and transparency but can be time-consuming due to the many bids received.

Selective Tendering:

Only pre-qualified or shortlisted contractors are invited to submit bids, ensuring that only the competent contractors participate, which can save time and reduce costs.

Negotiated Tendering:

Involves direct negotiations between the client and one or more selected contractors through a negotiated tendering process. It is often used for projects requiring specific expertise or when the client has a preferred contractor.

Serial Tendering:

The project is divided into phases or packages, and contractors bid on these components, allowing for more manageable project execution.

Framework Tendering:

Establishes long-term agreements with selected contractors for ongoing and future projects, providing stability and continuity for the client and contractors.

Single-Stage Tendering:

This method combines the design and construction phases into a single tender, typically for straightforward projects with clear requirements.

Two-Stage Tendering:

Separates the initial bid based on outline designs from the detailed design and pricing phase, allowing for more accurate cost estimations and project planning.

When would tendering be used in construction?

Tendering process in construction is used when a project owner (client) needs to select a contractor to undertake a construction project. This process is typically employed in various scenarios to ensure a fair, transparent, and competitive selection of the most suitable contractor. Here are some specific instances when tendering might be used:

- **Large-scale Projects:** When projects are extensive and require significant investment, tendering helps select a contractor with the right capability and experience.
- **Public Sector Projects:** Government tenders and public sector projects often mandate tendering to ensure transparency and fairness in the selection process.
- **Complex or Specialised Projects:** For projects requiring specific expertise or technology, tendering helps find contractors with the necessary skills. Complex projects, which require specialised expertise and often involve direct negotiation with qualified contractors, also benefit from the tendering process.
- **Cost Control:** Tendering allows project owners to compare costs from different contractors, ensuring the project is completed within budget.
- **Legal and Regulatory Compliance:** In many regions, tendering is a legal requirement for public sector contracts over a certain value threshold.

What is the tendering process?



The tendering process in construction involves several key steps to make sure a fair and transparent selection of contractors for a project. A tender notice is issued to announce the opportunity to tender, detailing the advertisement content, tender closing, evaluation process, and tender awarding. Here's an overview of the typical process:

Invitation to Tender: The process begins with the client inviting contractors to submit their tenders. This includes providing detailed documentation outlining the project requirements, specifications, and contract conditions.

Pre-Qualification: Contractors may be required to complete a pre-qualification questionnaire and attend a pre-tender interview to ensure they meet the project's requirements.

Request for Quotation (RFQ): Head contractors will divide the project into various trade packages and send RFQs to subcontractors detailing the specific requirements and quantities needed.

Clarification: During this phase, any questions or clarifications about the tender documents are addressed. This may involve amendments to the original documentation to resolve any issues.

Submission: Contractors and subcontractors submit detailed tenders, including pricing, schedules, resource plans, and previous experience. Making sure that all required documents are accurately completed and submitted by the deadline is crucial.

Evaluation: The client evaluates all submitted tenders based on various criteria such as cost, capability, experience, and compliance with project requirements.

Negotiation and Selection: After evaluation, the client may negotiate with the preferred contractor to finalise the terms. Once an agreement is reached, the contract is awarded to the selected contractor.

Contract Award: The contract is formally awarded, and the successful contractor proceeds with the project planning and execution phases.

What Happens When Tendering Fails?

When tendering process fails in construction, it can lead to significant delays and increased costs for the project. To avoid such failures, it is crucial to select only qualified contractors through a request for qualifications (RFQ) process. The failure might result from a lack of compliant bids, non-competitive pricing, or the inability of bidders to meet the project's technical or financial requirements.

This situation forces the client to either re-tender the project, which extends timelines and incurs additional administrative costs or negotiate directly with one or more contractors, potentially reducing the competitive advantage of tendering. Moreover, repeated tender failures can damage the project's reputation and discourage quality contractors from participating in future tenders.