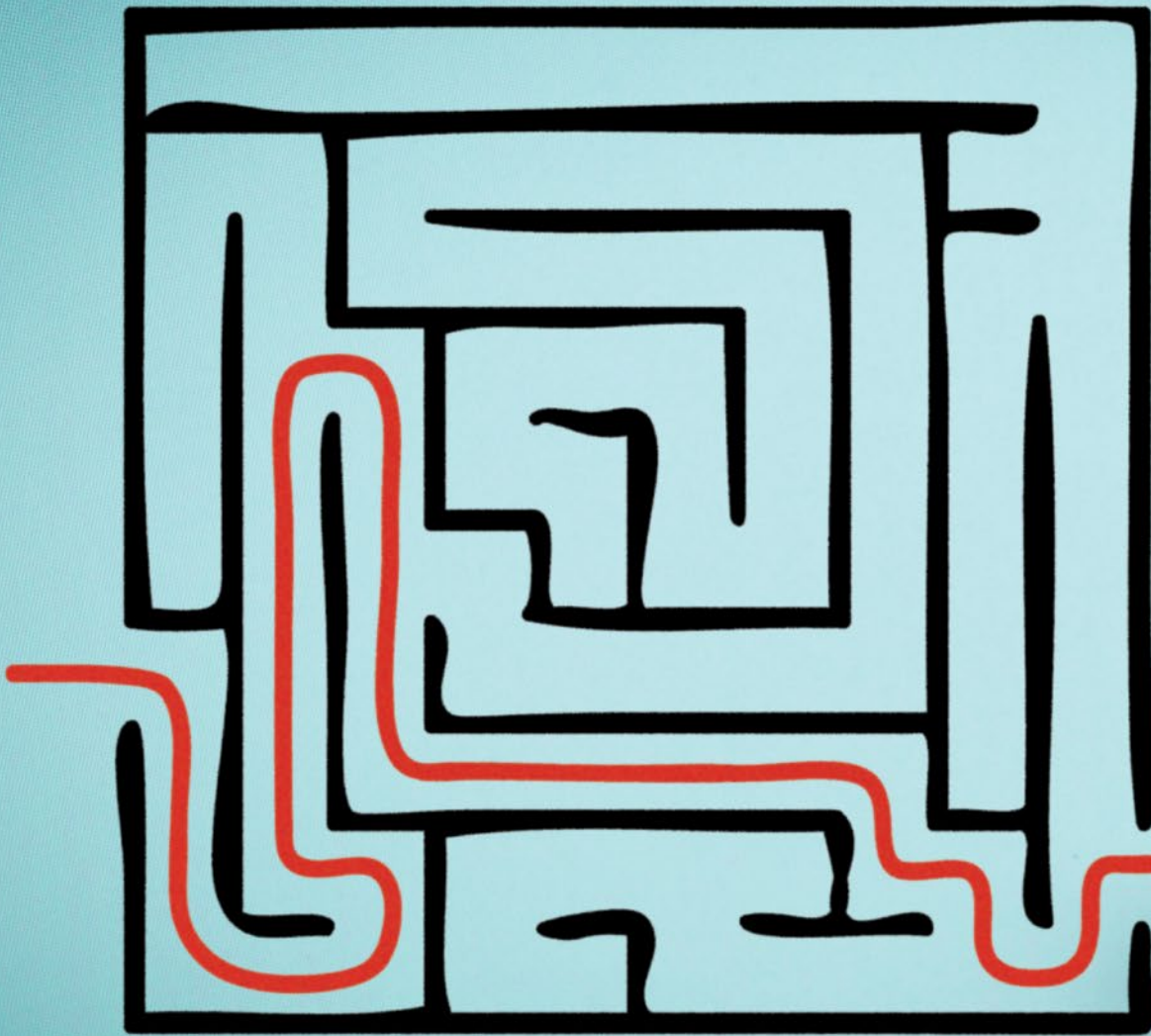


Outcome led procurement

A common sense
approach to
construction
procurement



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1 Outcome led procurement

Before you procure any construction related services, whether you are the ultimate client or are within the supply chain, consider what outcome you want to achieve *before* you procure. You cannot expect to get satisfactory outcomes unless you plan your procurement to achieve those outcomes. Procurement needs to be carefully considered, not simply repeated from a previous project.

2 Introduction

2.1 The importance of construction projects

– construction projects cost money, often lots of money. How clients go about procuring them can have a big effect on that cost and, more importantly, on the benefits the project realises relative to that cost. Within the supply chain, large sums of money are also spent procuring services from specialist contractors. How much of this procurement is simply conducted on the basis of lowest price tendering, with little or no consideration of what additional benefits those tendering might be able to bring?

2.2 The lure of the short-term view

– most construction projects will be expected to provide benefits for many years following their construction. However, the short term view has much appeal: what is the cheapest cost for delivering the project NOW. Will I even be around to see the longer term benefits of the project? And, even if I may be, will anyone consider how better the project could have been if we had spent more time considering how the completed project would be used? Similarly, subcontracts are let on the basis of THIS project, not the potential future projects where a specialist may be able to work with a contractor to provide a competitive advantage to the contractor in winning future work.

2.3 Lowest price competitive tendering provides best value

– it doesn't, not unless you know exactly what you want, the design is well developed, the risks of delivery are clear and manageable and can be accurately priced at tender. The more aggressively price competitive your approach, the greater the likelihood of claims from your suppliers and higher outturn costs. Construction organisations that work for you need to make a profit to stay in business and whilst some may not achieve this result, all will try their hardest – jobs and future career paths depend on it. For a fuller discussion of the risks of lowest price tendering, see the Constructing Excellence publication *The business case for lowest price tendering?*¹.

¹ *Constructing Excellence – The business case for lowest price tendering?* produced by a task group of Ken Odgers, Steve Rownsell, Kevin Thomas and Don Ward updated in April 2011.

2.4 Lowest price competitive tendering is the easy option

– it is! Just invite a selected or general group of relevant organisations to bid their prices for the advertised opportunity, pick the lowest or (if you are not affected by the public procurement rules and you don't trust the lowest) the bid you think is the most realistic and off you go – enter into the contract and wait for them to deliver (see paragraph 2.3 above!).

2.5 The intended use of this guide

– the important starting point for using this guide is that you consider what outcomes you want to achieve and plan your construction procurement to best achieve these outcomes. This guide raises some common sense considerations that underpin successful projects, i.e. projects that meet client objectives at a cost that provides excellent value, delivered in the required time frame. It is not intended as a 'how to' guide to construction procurement, nor as a one stop solution to delivering successful projects. Rather, it is intended to make you think whether your current approach to procurement is achieving the outcomes you want from it.

3 Understanding value

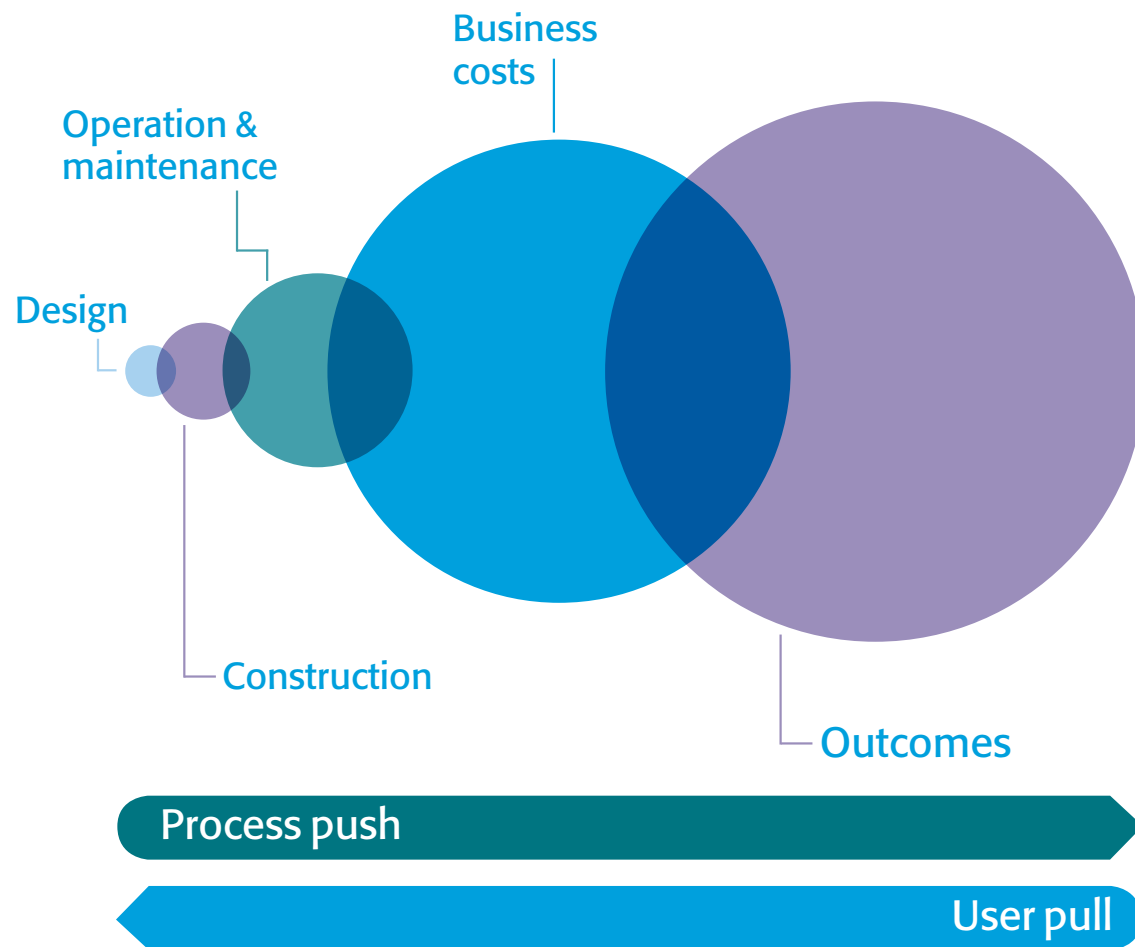
3.1 Value has been described as 'What you get' compared to 'What you give'² or in simpler terms: the benefit relative to the cost.

3.2 The ratio between building costs and business benefits

3.2.1 In 1998, the Royal Academy of Engineering published a paper based on research carried out on the London office market³. This identified a ratio of 1:5:200 – '1' being the construction costs, '5' being the operating and building maintenance costs over a 20 year period, and '200' being the business operating costs (including staff costs) over a 20 year period. In other words, the cost of the building was a two hundredth of the cost of carrying on business from the building. Looked at from another angle, most clients fixate on the construction costs (the '1') rather than looking at how they can reduce the operational and maintenance costs (the '5'), much less looking at how they can reduce the costs of carrying on business through a building that better meets their needs (the '200').

3.2.2 Industry commentators have expressed different opinions as to the correct ratio for different types of project. NHS Estates came up with a ratio of 1:4.5:42 for health projects and Richard Saxon reckoned that a ratio of 1:3:30 might be more realistic in the office market⁴. However, all have arrived at ratios where the business benefits are many times greater than the construction costs. The underlying message is that we spend too much effort on keeping the '1' as low as possible and very little, if any, time addressing the '5' or the '200', yet the long term costs of the building will many times outweigh the initial capital cost.

3.2.3 Including design and management and the value added by occupier organisations (based on the discussion set out in Richard Saxon's *Be Valuable* publication) we can draw the following diagram:



Richard highlighted that the design and management cost was typically 10% of the construction cost. At the other end of the process, he suggested the value added by the occupier organisation would typically be 25-100% more than the business costs referred to in the Royal Academy of Engineering paper.

Even with a reduced ratio of 1:3:30 (see paragraph 3.2.2 above), including the impact of design (traditionally around 10% of the construction cost – the '1') provides a sobering ratio of 1:300, i.e. the cost of the design and management of a project (0.1 of the construction cost) affects the overall value of the project (the '30'). If the value added by the occupier organisation may be 25-100% more than the business costs, design and management costs could be contributing to the potential business benefits at a staggering ratio of 1:600.

The arrows in the above diagram highlight a further consideration which is the potential for feedback from users of how buildings work in practice so that these lessons can be applied in future projects (the bottom arrow labelled 'User pull'). If clients could better capture this feedback, in addition to the usual process of trying to consider what might provide the most valuable outcomes through the development of the design (the 'Process push' arrow), there might be a significant increase in the value realised from projects⁵.

^{2&4} *Be Valuable – A guide to creating value in the built environment* by Richard Saxon (2005)

³ *The Long Term Cost of Owning and Using Buildings*

⁵ Consider the use of a 'soft landings' approach where feedback is provided to designers following occupation of new or refurbished space to learn and lessons that can be applied in future designs. The Building Services Research and Information Association (BSRIA) guidance on soft landings can be found at www.bsria.co.uk/services/design/softlandings. Separate 'Government Soft Landings' guidance is provided by the Building Information Modelling (BIM) Task Group at www.bimtaskgroup.org/gsl-policy

3.2.4 A real-life example of this principle was a call centre operator who, over a number of projects, had reduced the cost of constructing new call centres. However, a major cost to the call-centre industry remained the high rates of staff churn. So, the operator sat down and considered how future call centres could be designed to provide a better working environment, engaging with the staff to better understand how they viewed their working environment. The results of this consideration was a new model of call centre with much greater attention paid to staff comfort and the internal operating environment. The next call centre followed this model. It cost more (though not significantly more) than the previous call-centres. However, the effect on staff moral and employee retention was dramatic, with the operator making savings in business costs many times greater than the modest addition to the design and construction costs due to the reduction in the costs of staff churn.

3.3 Predictability is valuable – whether you are the ultimate client, or a member of the supply chain procuring subcontract services, the outcome you need is a predictable outcome. If the outcome you get is a much increased cost or programme or a failure to achieve the required level of quality, it is of no assistance that you picked the lowest tendered cost. If you are working to a fixed budget, ensuring an outturn cost that is within this budget is vital. Ask yourself the question – how confident are you that the tendered prices will not change and what evidence have you looked for to provide you with greater confidence that tendered prices will be deliverable?

3.4 The inability to address value by lowest price competitive tendering – lowest price tendering is addressing only the '1' in the above ratios. Consideration of which solution may offer the most energy efficient solution or provide the lowest operating and business costs is not possible. Added value is not considered.

3.5. How to address adding value

3.5.1 At tender stage, set out what you are looking to achieve (your desired outcomes) and give bidders the opportunity to put forward their proposed solutions to meet your desired outcomes backed up by their experience of doing so for others. If you don't ask, you will never know and you will unlikely get any subsequent opportunity to add value.

3.5.2 Set out the evaluation criteria that will be applied to enable bidders to understand the importance that will be given to their answers. If these are not set out, there will almost certainly be a perception that lowest price will be the key determinant.

3.5.3 In order to consider adding value, project participants need to be engaged early enough to influence the outcome of the project (see paragraph 6.2 below).

3.5.4 Competition based on value can be a positive force to encourage innovation, improvement and added value. If your procurement seeks to find the tenderer with the best value solution (i.e. the most value relative to cost) or the best likelihood of delivering the best value solution, think how tenderers will demonstrate the value of their proposals and how you will evaluate this predicted value relative to the predicted cost. As an example, consider how you would procure an energy efficient, rather than lowest cost, heating and cooling system for your project?

4 Identifying your desired outcomes

4.1. What are your desired outcomes? – in order to be able to get what you want, it is essential to articulate the outcomes you need. It is also important to prioritise these outcomes. The usual considerations of 'cost', 'time' and 'quality' provide a useful starting point – and, as most advisers will tell you: "pick any two, but don't expect to get all three"! For your particular procurement, which of the time, cost and quality outcomes are most important? Recognise that some of your desired outcomes will need to be compromised, for example to ensure a proposed design solution remains affordable. This is where it is important to distinguish between 'needs' and 'wants'. In other words, what is absolutely essential and what would be 'nice to have's'. If you can make this distinction, you will be in a better position to make decisions based on what will best achieve your needs and not find yourself having to compromise the outcome because you included all the 'nice to have's' before realising that this was unaffordable. As explained in paragraph 6.4, the ability to make design changes that will affect the outcome of the project becomes more difficult and costly as a project progresses. Every project/procurement offers the opportunity to achieve better outcomes. Don't spurn that opportunity.

4.2. What are your constraints? – alongside the development of your desired outcomes, identify your constraints, whether budgetary, time deadlines or minimum quality standards (e.g. to comply with particular statutory or industry requirements). These need to be factored into your outcomes so that there is a complete picture of positive and negative 'requirements'.

4.3. Accepting compromise – if you cannot, or are unlikely to, achieve all of your desired outcomes given your constraints, be realistic and adjust your desired outcomes so that they remain realistic. There have been far too many projects (including many high profile buildings – think Scottish Parliament Building for example) where the desired outcomes have become completely out of step with the constraints (most often the budget).



5 What are the risks?

5.1. Your risks – the biggest risk is getting an outcome that doesn't meet your desired outcomes – if you don't get the project you need, you will live with these consequences for as long as you occupy or own the completed project. The related risks of a project that ends up over budget or late (or both) may be less serious (unless you are procuring for a fixed event like the Olympics) because the consequences, whilst painful in the short-term, will probably be forgotten in the medium term.

5.2. Macro-economic risks

5.2.1 The construction industry has traditionally mirrored the 'boom and bust' cycles of the wider economy. In recessionary times, the supply of constructors and designers is likely to be greater than demand with the tendency for tender prices to reduce. In reflationary times, construction demand outstrips construction supply, leading to shortages in resources (both labour and materials) and inflationary pressures. Sometimes individual parts of the construction economy may experience the boom or bust cycle before other parts – e.g. the housing market may experience demand exceeding supply before the commercial office market.

5.2.2 The lessons of successive recessions should have taught that exploitation of lowest price tendering does not guarantee lowest outturn costs. Far from it. Lowest price may well represent 'least considered price' and whilst some will undoubtedly secure a bargain, many more will take on a struggle with designers who want to spend the least time possible in arriving at their design and contractors who are continually looking for ways to claw back a margin from contractual claims and bullying their subcontractors. Be aware too that organisations focusing on how to reduce their commitment to a project or claw back a margin are unlikely to be giving their full attention to how best to meet your objectives.

5.2.3 In times of relative 'boom' the balance of power lies with the supply chain who may have plenty of opportunities to bid for work and became more discerning in the projects they bid for. They will probably also have a much reduced appetite for taking on risks they cannot control, so seeking to pass risks that cannot be easily priced is likely to lead to one of two responses: unwillingness to tender or tendering prices with very full risk allowances (see paragraph 5.4).

5.2.4 There will not be a lot you can do as a client about the economic conditions but they do need to be taken into account when considering your procurement strategy.

5.3 Project-specific risks – it is important to consider project specific risks that may adversely affect the successful outcome of a project. For example, if there is a risk of adverse ground conditions affecting the time and cost of the project, regardless of whether the client or contractor will ultimately be contractually liable for these consequence, steps need to be taken to identify the extent of the risk and mitigate or remove the potential adverse consequences. The starting point may be obtaining a ground investigation report, which may remove the risk (if the report reveals no adverse ground conditions), or at least allow the risk to be mitigated (e.g. adopting a different foundation arrangement to overcome the specific adverse ground conditions). The main project specific risks need to be identified and a strategy adopted for mitigating them, bearing in mind that passing the risk to someone else (e.g. the main contractor, or to a supply chain member) does nothing to manage or mitigate the risk. Keep in mind too that you need to concentrate on the major risks not waste time identifying every minor risk as well; adopt a 'Pareto' approach and concentrate on the 20% of risks that are likely to cause 80% of the potential adverse consequences.

5.4 Risks and pricing – the construction industry is used to seeking lump sum 'prices' for the provision of construction works or services. Every 'price' will represent a compendium of the following elements:

- **Margin** – the return that the organisation needs to make in order to remain in business;
- **Risk allocation** – the contingency included to cover the adverse consequences of foreseeable (and unforeseen) risks – note this may often be 'disguised' as a programme allowance: e.g. a task that should take 4 days is shown as 6 days. Note too the comments in paragraph 5.5 below); and
- **Actual costs** – the estimated actual cost of the plant, labour and materials required to perform the relevant works or services.

Usually, pricing takes place before the extent of the risks are known – consultants are engaged on fixed fees before they are able to judge what time commitment will be needed to develop a 'solution' to meet the client's requirements, and what liaison will be necessary with others; main contractors usually have to price the construction risks before they have any opportunity to fully understand what they are and subcontractors are often placed in exactly the same position. In competitive market conditions, this often leads to risks not being adequately priced; in less-competitive market conditions, this may lead to risks being over-priced, both by the main contractor and the subcontractors. In either market conditions, there is likely to be a duplication of risk pricing in both the main contractor and subcontractor prices. However, neither are likely to have investigated the risks and identified the steps for their mitigation. The result is that the risks can still have a major impact on the progress of a project (and its cost) notwithstanding that they have supposedly been priced for by more than one organisation.



5.5 The Client bears all the risks all the time!

– this may come as a shock to you but is recognised by many serial construction clients and is borne out by reality. If a risk occurs that affects the progress of a project, the fact that it is the contractor's risk may prevent the contractor claiming additional money and/or seeking an extension of time, but does not insulate you, the client, from the consequences: if the project is delayed, it is the client who will ultimately suffer (an entitlement to liquidated damages rarely providing compensation for all the costs suffered). And, if the contractor's costs increase, the contractor will try to recover those costs by maximising opportunities to claim additional payment under the relevant building contract. In the meantime, if there is any adverse publicity regarding the project's problems, it will almost certainly be the client's name which is mentioned first – remember the Tesco supermarket development at Gerrard's Cross where the tunnel over the Chiltern line on which the new store was to be constructed collapsed. It was little comfort to Tesco that it had legal remedies once it could prove responsibility for the collapse, it was suffering the financial consequences of the delayed store opening and grabbing the headline attention (the press coverage did not mention who the contractor and consultants were).

⁶For further guidance on managing risks with the assistance of a risk register, see the [Constructing Excellence Guide to Risk Management](https://www.constructingexcellence.org.uk/wp-content/uploads/2015/03/risk.pdf) [Constructing Excellence, 9/3/04 available for download at [constructingexcellence.org.uk/wp-content/uploads/2015/03/risk.pdf](https://www.constructingexcellence.org.uk/wp-content/uploads/2015/03/risk.pdf)]

5.6. How your risks are managed in practice

5.6.1 With some honourable exceptions, risk management on most construction projects is poor to non-existent. This may reflect two underlying misconceptions which clients should be aware of and seek to better manage:

- risks that have been 'priced' by consultants, contractors or subcontractors do not need to be managed by the client/his advisers because someone else will be responsible for the consequences (see paragraph 5.5 above!);
- most risks cannot be managed by a single organisation without co-operation and assistance from others. Take the case of ground conditions – having identified that there are adverse ground conditions on a site, the contractor (or the groundwork subcontractor) may be able to take steps to mitigate the risk by including risk contingencies in their prices for the extra work that may be required. Whether these contingencies are adequate will be largely guesswork, and the client will pay the additional contingency whether or not any risks materialise. A cheaper solution may be to change the foundation design to overcome the adverse conditions. However, this will probably involve not just the client and main contractor but also the structural engineers, specialist subcontractor and probably the cost consultants. You need to be aware of these issues so that, once the facts are known, you can make decisions in the best interests of achieving your desired outcomes. Alternatively, you may need to bang heads together to deal with a risk rather than hoping it will go away or arguing over who will be responsible if it does occur.

5.6.2 The starting point on any project should be a requirement for project participants to maintain an up to date project risk register, even where the consequences of some of the listed risks are contractually either the client's or the contractor's responsibility⁶. If risks do occur, the focus needs to be on collective mitigation of the consequences, not individual allocation of blame. The situation is often not helped by consultant professional indemnity insurers, whose first advice is normally along the lines of 'don't admit any responsibility for what has happened and don't by your actions make it look as though you may be even partly responsible!'

6 Treat design and construction as a joined up process

6.1. The historical separation of design and construction

6.1.1 Unlike other manufacturing industries, construction has maintained the historic separation between consultant designers and contractor/subcontractor constructors, even though the specialisms necessary to design many elements of a project now rest with specialist subcontractors. Although the concept of 'design and build' has been around for very many years, rarely is the contractor given a genuine output specification and told to go off and design and build a solution that meets the required outputs. Usually the client will have engaged consultant designers to start the design process, not least so that the client can be satisfied with the aesthetics of the design before anyone starts building it. At some stage, when the client is happy that the design (or at least what the client understands about it), it can be handed to a contractor.

6.1.2 When tendering for construction or design and construction opportunities, contractors are rarely given the opportunity to understand the existing design whilst tendering. Only after selection can the contractor spend the necessary time, and engage the necessary specialist subcontractors, to fully consider the design to see whether it will work and how it can be constructed. However, by this stage the contractor will already have committed to a price to complete the project. Not surprisingly, price will be a major concern in selecting subcontractors because the contractor's margin will depend on selecting subcontractors who are able to deliver the project for less than the price quoted to the client. They too will usually have to price for their input before they have an opportunity to fully understand what they are pricing. In times of economic 'boom' contractors and subcontractors may be able to add risk elements to their prices to try to cover this lack of understanding. In times of economic downturn, the inclusion of adequate risk elements will not be possible if the work is to be won. Under neither boom nor downturn conditions will the contractors or subcontractors understand the risks they are attempting to price or have the means to manage these risks. The design and construction process

has now become a commercial battle ground to safeguard profit margins rather than a focus on ways in which the design and its construction can better meet the client's desired outcomes.

6.2 Early engagement of contractors and relevant specialist subcontractors

6.2.1 The design process is an iterative process that moves from an understanding of what the client wants to putting forward proposals that provide an outline solution to meet the client's requirements. This is then developed and becomes more detailed. Traditional wisdom suggests that consultant designers can develop designs to be 'fully detailed' such that any contractor can simply look through the drawings and specifications and fully understand what is required, how much it will cost, and how long it will take, to deliver. The reality is not so simple and there will almost certainly be 'gaps' in any consultant design as a result of:

- not providing sufficient detail to enable the construction of all elements of the project (e.g. the drawings show the windows in position but do not show the detail of how they are to be installed so as not to compromise the water-tightness of the external cladding); or
- simply providing performance or outcome specifications of the performance that is required of certain building elements, leaving it to a contractor and specialist subcontractors to work out the detail of how to meet the relevant performance. The heating and cooling arrangements for a project are commonly expressed as performance specifications, leaving the contractor and the specialist mechanical and electrical subcontractor to complete the detail of e.g. pipe runs and the specification of boilers/chillers to achieve the requirements of the performance specification;
- lack of coordination between consultant designers (e.g. the design of the structural steel frame is based on different design software to the architect's elevation drawings with the result that the steelwork and room layouts cannot be co-ordinated electronically).

6.2.2 A way of identifying the above gaps is to engage a contractor and key specialist subcontractors before the design is completed. As well as spotting gaps, they can provide input into how the design can be constructed, how performance requirements can be met and minor changes that can be made to the design to make the construction cheaper, quicker and/or predictable. This is particularly useful in relation to mechanical and electrical elements of projects which are often left to be designed during a busy construction programme. The opportunity to develop the solutions to meet these performance specifications during the design phase makes the delivery of these solutions much easier to plan, price and implement, reducing the likelihood of gaps emerging during the construction period when they will be more time consuming and costly to resolve.

6.2.3 A real life example of the potential savings that can be made is provided by a project that involved the installation of a complicated heating and cooling system. By engaging the specialist supplier in the design of the system it was possible to change the proposed layout to reduce the lengths of piping required by 70% and the cost by over 25% – many times greater than any competitive advantage that could have been achieved by competitively tendering this package. Furthermore, because the design had been developed by the organisation that would install the component parts, the installation could be pre-planned with further saving of time.



6.3 Early engagement of contractors ('two-stage' engagement) is more expensive

– a popular view amongst many clients and their advisers is that two-stage engagement of contractors is more expensive than simply getting contractors to price for the construction of the project ('single-stage' procurement). This is based on the experience of clients and their advisers having to actively engage in considering risks and their impact on construction costs rather than being able to rely on an assumption that all of these risks would have been considered and more competitively priced in a global risk allowance whilst the contractor was still in competition with other contractors under a single stage procurement. Yes, a single stage procurement involves less input from clients and their consultants and is 'easier' but no, it doesn't follow that the resulting outturn construction cost will be higher. Would you have greater confidence in the construction price rendered transparent through open-book accounting and a programme provided by a contractor who has been fully involved in the design process and understands what has to be constructed, or the price and programme put forward by a contractor who has had a few weeks to understand a pile of design documents, whilst in competition with other contractors?

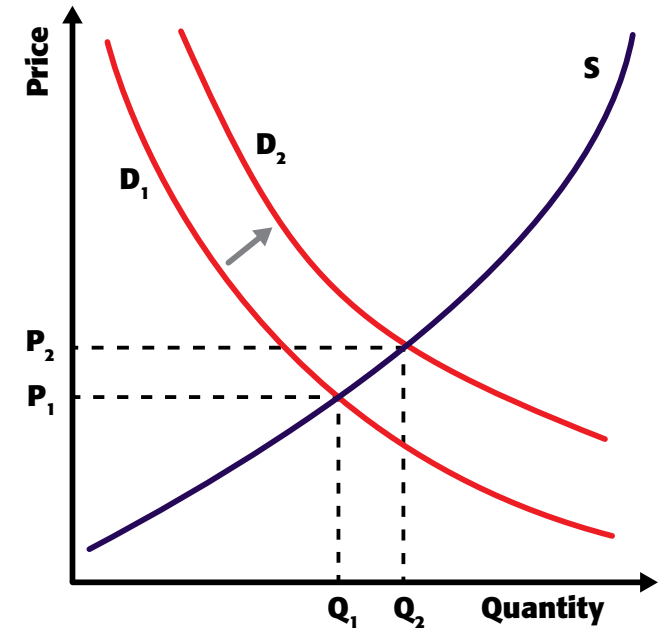
Furthermore, the concern that the price may be higher than it could have been if it had been competitively tendered is focusing on the construction price being the most important consideration – the '1' in the ratio of project cost relative to the much greater potential benefits.

6.4 The impact of design changes on time and cost

The graph illustrates the relationship between the development of the design for a project (the red line) and the construction cost of the project (the blue line): in the very early stages, changes to design can be made without a significant impact on the construction cost, whereas later design changes can be very costly, not least because of the consequential changes.

Consider the following example:

- in the early design stage, moving a reception desk from one side of the main entrance to another can be achieved by simply changing the lines on the architect's drawing, say, £10 cost;
- during the detailed design stage, the same change may involve changing separate structural and building services drawings and result in relocation of lighting, heating and power connections, say £100;
- during the construction stage, all of the above changes will be necessary with the further likelihood that the drawings from specialist subcontractors will need to be changed with the client also having to pay the contractor's resource costs whilst these changes are agreed, say, £10,000;
- if the changes are not carried out, the implications of having the reception desk on the 'wrong' side of the main entrance may lead to difficulties recruiting and retaining receptionists who are unwilling to suffer the draughts from the main entrance and the isolated position of the reception desk, say, £100,000.



7 The importance of behaviour

7.1 Setting the tone for the project – the way in which you go about the procurement of a project can have a profound effect on how participants relate to you and your project and the resulting success of the project. Competition with limited information about the risks you are seeking to pass will set the tone for a commercial battle to safeguard margins and pass on risks to others. Achievement of greater benefits from the project will be unlikely: consultants will not want to do more work than their fee covers and will happily pass on risks to the contractor and the contractor will happily pass on risks to the supply chain even though they may be unable to manage these risks.

7.2 Working collaboratively is not optional – it is impossible to design or construct anything without close collaboration between those designing and constructing the project. This applies to the management of risks as well – no single organisation can properly control project risks on their own, it requires a team approach, albeit that individual organisations may have ultimate contractual responsibility for the consequences of specific risks. Collaboration is not a doctrine that has to be bought into with handshakes and smiles, it is a hard fact of successful design and construction activity.

7.3 Treat project participants as you would like to be treated – it has been demonstrated from numerous scientific studies that people give of their best when they feel valued and trusted. This is simple human nature and the reason why most serial clients tend to work with the same consultants and contractors with whom they develop a greater mutual understanding and trust. In turn, the consultants and contractors develop a better understanding of the client's needs and the means to better achieve them.

7.4 Seeing others' points of view – consider your project from the view point of its participants – are they being encouraged to give of their best for your project or are they more likely to be embroiled in a battle to safeguard margins in the face of risks that they cannot control?

7.5 The importance of the supply chain – on most construction projects, subcontractors are likely to be responsible for around 80% of the construction cost of the project, so it is important that they too are procured in a way that allows them the best chance to contribute to the project. Consider the comments in paragraph 6.2 regarding the benefits of early involvement of contractors and any key specialist subcontractors and be open to the reality that early engagement can provide far greater benefits to your project than the competitive tendering of these opportunities could possibly give. Put yourself in the shoes of the relevant contractor or specialist subcontractor – would you be willing to contribute all your best ideas if you knew you would have to win a lowest price tender in order to actually carry out the work? Whilst the client may not be able to control the way in which subcontractors are procured, the client can set the tone for how they should be procured by setting this out at the time of tendering for a main contractor, and (directly or via the project manager) check how individual subcontractors have been treated. Too often, the project manager can be the driver of price competitive tendering for supply chain members in the misguided belief that this is providing best value for the client.

7.6 Don't lose sight of delivery – a failing of many attempts to adopt 'partnering' or 'collaborative working' in the past has been a focus on the cultural issues at the expense of project delivery: successful projects rely on both but it is not enough to have one without the other. All project participants must be focused on successful project delivery that meets the client's desired outcomes and all must be accountable for delivering what they promise.



8 Making your procurement more effective

Most of the procurement in the construction industry is based on the misguided premise that lowest priced tendering produces best value. The industry is fixated with competitive 'prices' and trying to maintain margins without effectively managing risks. Are you guilty of procuring projects in this way?

If you are procuring a construction project, ask yourself the following questions:

- Do I know what I want and have I clearly expressed this to those I want to deliver my project? Have I distinguished between 'needs' and 'wants'?
- Putting myself in the shoes of those who I want to design and deliver my project, are there risks that they cannot control which I am asking them to price? If so, is there anything that can be done to remove or mitigate those risks? If these risks haven't been removed, what comfort do I have that they are being properly managed and will not adversely affect the outturn cost, time or quality of the project?
- How do I make sure that the design is complete and buildable before construction starts and how do I best safeguard the predicted outturn costs, programme and quality?



Albert Einstein defined insanity as *"doing the same thing over and over again and expecting a different result"*. He also observed that *"a person who never made a mistake never tried anything new"*. If you are concerned about the outcomes you are getting from your projects, consider your present procurement approach in the light of the common sense suggestions set out in this paper.



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