

CONSTRUCTION ENGINEERING MASTERS DISSERTATION ABSTRACT

Procurement methods and contractor competitions: a catalyst for construction industry change

The motive to this study was financial challenges experienced by main contractors in the period 2015-19. A review of issues facing main contractors identified that procurement practices in the construction industry are driven by adversarial pricing models, a 'race to the bottom' culture, and highest risk transfer approaches. This study investigates the following problem: procurement competitions default to lowest price and highest risk transfer with an assumption that price is the differentiator and all contractors are equal.

The literature review explores the problem presenting literature relevant to the theory of competition, the client's perspective and the contractor perspective. The propositions arising from the literature related to the effectiveness of tender evaluation criteria and the lack of a contractor perspective in the literature. The study set out to answer the following research questions:

1. How might contractor competitions occur differently to act as a catalyst for industry change?
2. To what extent can a value competition be used as an alternative to a price competition?
3. Are there other measures that contractors are keen to compete on that may lead to a more effective competition?

A mixed methods research design was used to answer these questions. A tender evaluation methodology document was prepared and issued to participants who took part in a survey and a focus group. The key findings, which were content analysed, addressed contractor business models, tendering costs, risk transfer and design.

The conclusions and recommendations arising from this study are set out in the below table:

RQ	Conclusion	Recommendation
1	The motivation to change the status quo needs to be led by contractors lobbying clients with alternative innovative reward and competition models.	Leadership is needed from contractors to influence competition and reward models – increased levels of trust are critical to achieving this.
2	Value definitions in the literature review are too focused on client's needs and ignore the value created by contractors.	Innovative reward and competition models needs to reflect the value created by contractors and there need to be improved mechanisms which ensure clients secure this.
	Non-price criteria used in the construction industry are not working for contractors	Outcome based procurement could lead to value focused competitions but this needs non-price criteria which are considered from both a contractor and client perspective.
3	Contractors consider they create value through certainty of delivery and want to compete on the basis of their ability to deliver certainty.	The study widened the definition of this term but was inclusive as to how a competition on this basis might occur; this is a recommended area of future study
3	There are instances where risk transfer can be beneficial for the industry by driving improved performance	Contractors should develop more sophisticated methods for identifying, understanding and valuing risk to enable a more informed approach

The study is limited by the data collection which ended when it was considered there were no new themes emerging. It is recommended that the same study conducted with clients would be a beneficial piece of research to provide a more complete picture.

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