

Two-Stage, or not Two-Stage - that is the question... May 2015

For some time now the contracting market has been reluctant to entertain single stage tendering. This is not true across the board but it is generally the case. So, in accepting the rise of two stage tendering again many clients are currently challenging themselves, and their QS, as to how they can “hang on to their shirt” at the end of the second stage.

The lack of trust, sadly, is still very evident in much of what the industry does, as is the “swinging of the pendulum” from one side to the other in terms of taking commercial advantage – informed of course by the temperature of the market. Perhaps, then, it’s worth exploring the ingredients of a successful two-stage tender process.

First thoughts go to what can the Employer and his team actually control. In my experience, it’s all too easy for people to believe this is “not much”, commenting further that the eventual price is “totally in the hands of the contractor”. This is not the case. Essential matters within the control of the Employer and his team would include a clear brief, the setting of key dates and durations, the production of quality information, client change, the cost target, a realistic design and procurement programme, engagement and timing of the supply chain, pre-construction activities and complete team awareness over roles and responsibilities.

With all of these things being key influencers on level of price, there is much to be happy about and focused on! The part that is ultimately outside of the client’s control is contractor behaviour at agreement of the stage 2 price, but keep the faith for a moment and read on.... The short way of summarising the above is to say that a real focus on what you can control will help manage what you can’t.

Having promoted the importance of focusing on doing a great job on those items you can control, careful consideration needs to be given to a programme that allows adequate time for critical activities and is not too ambitious in its plan. Being realistic and ensuring that activities occur in good time and in the right order is fundamental to success. The programme needs to be both understood and agreed to by all parties and unless this is the case there is likely to be a weak link, or a “ticking time bomb” (I think the expression is one step forward, two steps back!)

Upon a settled programme bought into by the Employer and his whole team, preparation for going to market should include allowing adequate time to warm up the industry, selling the scheme to

the market, ensuring the design team understand the whole process and their role in it and, finally, keeping momentum once you’ve started the process. The stage one enquiry document is an important document and needs to be put together well, adequately explaining the full procurement process and how it will run – including the important detail around how the second stage price will be formulated. Selection criteria for the contractor will include understanding of the project, construction proposals, commitment to cost and time targets and experience, calibre and attitude of the team. Whilst these are relatively objective points, the inevitable emotional ones will be “who do I trust?” and “who do I think I have the strongest relationship with at senior level?”. The truth is that all of these points are in play.

Upon selection of your contractor, the second stage commences with the over-riding objective of successfully procuring the sub-contract works. This typically runs over several months and is too involved to simply summarise all of the do’s and don’ts here. However, key focus areas include the trailing of the second stage process to the full team, adequately warming up the trades, staying on top of the design, page turning tender documents, only sending out tender packages when you are satisfied with their quality and staying engaged post tender return. A final one, perhaps more controversial, is the requirement for the tenders to be returned to the Employer and “belonging to him” until such time that the total contract sum is agreed.

By adopting all of these principles one would hope that the chances of a successful two-stage process are enhanced. In summary, the important points are a well-rehearsed and well-executed plan of action, total team buy-in to the process, a focus by the Employer and his team on what they can control, an effective stage one process and recognition that relationships and trust are important. The one negative thing (but sadly necessary) is the ability to have a contingency plan if a stage two price can’t be agreed. However undesirable, a ‘Plan B’ should exist and be visible.

As an industry, it would be good to be positive about two-stage tendering and generally trusting one another a bit more. After all, the toes one steps on today may be attached to the backside one has to kiss tomorrow.....

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