Research on the Method of Selecting Construction Participating Companies for the Owner in a Project under Bidding Mode in China

FENG YE

ABSTRACT

Construction participating companies play very important roles in the project for they undertake the constructing part of construction projects. Therefore, selecting a good company is the prerequisite to accomplish project goals including project process, quality and investment, etc. Based on analyzing the basic rules of how an owner can select construction companies under bidding mode, the paper presents the specific methods for the owner to select the companies for a construction project including management service company, exploration design company, construction company, and subcontractors in construction industry in China.

INTRODUCTION

The owner of a construction project plays a leading role in the project and is mainly in charge of management of the project. The owner assigns works to companies participating in the project with relevant qualifications and capabilities by signing contracts with them and the participating companies are the parties that actually accomplish the work. In the past, participating companies mainly include survey, design and construction companies.

With development of modern construction industry, specialization has become a new trend. Specialization of design, construction and construction management resulted in the formation of management and consultation service industry, as well as tens of thousands of materials and equipments suppliers. An ordinary project usually has dozens of participating companies but hundreds or even one thousand for a large project, especially one that is relatively complicated. Therefore, selection of participating companies is an important work for project owners. However, since there are tens of thousands of companies available, including bad companies which try to affect selection of project owners and material/equipment suppliers through illegal or unfair means and in many cases did succeed, it is now a problem for project owners to find good participating companies.

Feng Ye, Construction Department, Shanghai University of Engineering Science, 333 Longteng Road, Songjiang District, Shanghai, China.
PRINCIPLES AND METHODS FOR SELECTING PARTICIPATING COMPANIES

Principles for Selecting Participating Companies

Needless to say, the basic principle is to select qualified companies. Another issue that project owners need to consider is that a good company could have good and bad project managers. Therefore, project owners need to find not only good companies but also good project managers, because they are organizers and managers of construction projects. A good participating company should:

- Have good reputation, which reflects the comprehensive strength of the company, including technology, equipments, financial strength, management level and performance;
- Have related qualifications needed for the project;
- Dispatch project managers who are capable and have good credit standing;
- Dispatch project team with solid technical strength and management skills; and
- Have experience in similar projects recently.

Methods for Selecting Participating Companies

A basic method is open, fair and transparent bidding. However, this is still not enough. To find good participating companies, information of similar companies, actual situation of bidders and possible winners of bid (solid project teams, ordinary ones, or those bad ones who participate in the bidding using qualifications of other companies?) are needed. The current bidding methods used by the government do not focus on good companies but fair competition. This makes it quite difficult for project owners to find good companies. There is a phenomenon in bidding market. Companies will firstly check whether the owner has any intention or not, and most of them will not attend the bidding if the owner does have an intention. If the owner does not have any intention, then there will be one hundred or even two-three hundred companies attending the bidding. Qualified companies are not interested in such vicious competition because in such competition the winner is usually the company that offers “reasonable low price”. To find good participating companies, project owners should:

- Investigate basic information of good companies (i.e. using basic industry information published every year);
- Investigate management model and information of project team of good companies (actual strength, management level, and information of good project managers and teams);
- Invite good companies to attend the bidding;
- Meet responsible persons of good companies and obtain commitment on “provision of good project manager/team, resource, financial support and supervision management”;
- Meet project managers and check their performance and skills;
- Set qualification conditions that facilitate winning of good companies; and
- Decide bid review methods that facilitate winning of companies that offer reasonable price.
To find good participating companies, project managers and teams, project owners need to contact and communicate with them. Only in this way can their projects go smoothly. Some project owners do not contact with potential participating companies before bidding in fear of complaints of other participants. They should ignore such complaints because what they need to do is to find good participating companies.

**SELECTION OF CONSULTING SERVICE PROVIDERS**

Construction consulting is a new industry with a variety of services and service providers. Many consulting service providers grow gradually and play an active role in helping project owners increase their management level. In modern project management, it is recommended to take full advantages of such service providers. However, there are some problems. One problem is that the service of different service providers varies significantly. Furthermore, relevant regulations, industrial codes and standards (excepting those of construction supervision) are not well established. In such situation, it is difficult for project owners to find a good consulting service provider.

The current construction consulting services mainly include project management consulting (agent of party A), construction supervision, pricing (investment control and price review), financial supervision and construction bidding agent service. Among them, only construction supervision is a regulatory service that is required by law (Construction Law and local regulations) and firstly used for third-party supervision in construction. However, there are many problems with current construction supervision. Since the rights and obligations of consulting service providers are not clearly defined, relevant laws and regulations cannot be established and service quality cannot be ensured.

For project owners, it is extremely important to find good consulting service providers based on actual situation of projects, the needs of project management and the service level of such service providers and the result of consulting industry through investigation and bidding (market competition).

Some problems commonly seen in current consulting service providers include short history of professional experience (3-5 years), small scale (3-10 employees), lack of expertise, low management capability and lack of ethics.

Considering the current situation of consulting service industry, project owners should use the following methods to find good service providers.

- Investigate reputation, qualification, scale, reserve fund, years of experience, titles of employees, major projects completed, project managers of consulting companies and obtain a list of similar projects completed;
- Invite good consulting companies to attend the bidding;
- Meet general managers of consulting companies, find their management and operation models, acquire commitment on provision of quality service and good project manager/team;
- Investigate the level, performance, ethics and management skills of project managers and staffing of project team;
- Set bidding conditions that facilitate winning of good consulting companies;
- Determine targeted and reasonable bid review methods; and
- Provide a written manual that contains contents of consulting services and working methods, so that project owners can use the manual to monitor the work of consulting companies.
Selecting good consulting companies is not all that project owners need. To ensure provision of quality services, project owners also need to monitor, manage and control the work of consulting companies.

SELECTION OF SURVEY AND DESIGN COMPANIES

Selecting good survey and design companies is another important work for project owners because the geologic report prepared by survey companies is closely related to safety and investment, while the design documents may determine the functional rationality, esthetics of buildings, compliance with regulations, safety and construction cost. Since design may affect up to 70% of investment, investment control should be focus during the design phase, which is an important stage for a construction project. Design companies include general design companies (for overall and individual design) and professional design companies such as those specialized in design of road, bridge, steel structure, curtain wall, decoration and low-voltage electricity system.

Unlike other bidding, design bidding is usually based on invitation of bidders (and the bidding must be an open one in case of large-scale projects) in order to select a survey and design company. The winning scheme is decided according to its quality as well as the preference and professional opinions of experts and project owners. Since a design company with outstanding design capability (such as a professional scheme design company) may not have strong overall design capability (initial design and construction drawing design), it is recommended to invite companies with comprehensive design capability to attend the bidding. A commonly seen problem in individual design phase is that the project owner is not satisfied with the construction scheme even after multiple rounds of design bidding. This is a problem of design bidding that cannot be solved easily.

Compared with design companies, survey companies are relatively easier to select. The key points in selecting quality survey companies are their good reputation and skilled/professional surveyors. Since problems of survey occurs frequently, it is important to find quality survey companies according to public the ranking of such companies.

It is rather difficult to find good design companies, mainly because famous design institutes may not be interested in multi-round design bidding and they may not send their best designers to attend the bidding. This is why the individual design schemes provided by such institutes are usually lack of personality and visual impact and construction functions cannot meet the requirements of project owners. Unlike such big shots, small and medium-sized design institutes are keen on design biddings because they rely on construction projects for survival. Some small firms specialized in construction bidding are so powerful that many famous companies employ them for winning bids. However, such firms are usually lack of capability needed in initial design and construction drawing design. Some of them only have capability for scheme design, but not those for overall design at all. Nonetheless, it is not a good idea to exclude them from bidding, but they need to be required to work with famous design institutes (e.g., specify rules for them in the bidding requirements) after they win the bid. Designs for small and medium-sized projects are better completed by good designers from medium-sized design institutes.
SELECTION OF CONSTRUCTION COMPANIES

Selection of Outsourcing/Subcontracting Mode

Outsourcing/subcontracting mode is essential to project progress, quality, investment control and safety. Outsourcing/subcontracting mode includes general design contracting, general construction contracting and parallel contracting, etc. Project owners need to decide the outsourcing/subcontracting mode according to their management skill. Project owners with relatively low-level and ordinary management skills may select general contracting mode. Project owners with very high-level management skills may select parallel contracting mode (individual construction contracting). Of course, if a project owner has employed a good construction project consulting company (agent of party A), then it can select whatever contracting mode that suits its overall level of project management.

Selection of Construction Contractors

Currently, most construction contractors are selected through open bidding. The current bidding method emphasizes on fair competition and winning at low price. This significantly reduces the possibility of winning of quality companies, who would rather quit if the bidding price is not reasonable. Those inferior companies who win the bid (in many cases they did) may “cut corners” to reduce cost or claim for unreasonable compensation. There is a huge difference between good and bad construction companies. Therefore, it is very important to select a construction contractor through bidding, in-depth survey on potential contractors, company commitment, and strict terms and conditions in the contract. Generally, project owners should have:

(1) Identification of project managers/team

Since project managers and members of the Project Department are those directly involved in construction work, their capability and skills can determine whether or not projects can go smoothly according to schedule and whether or not targets on quality, progress, budget control and safety are achieved. This is why selecting good project managers/team is very important, even more important than selecting good construction companies. Project owners would rather employ a good project manager from an ordinary company than a bad project manager from a superior company. Project owners should check the experience, education, performance in past projects, organization, coordination and control capabilities of project managers. In addition, they should ensure sufficient staffing of the project team because high-level expertise and rich actual experience help greatly in project management.

(2) Company commitment

After bid winner is determined, the General Manager should make a commitment to the project owner on behalf of the subcontractor. The commitment should be made on quality (e.g., obtain the Magnolia Award or Award for Municipal Level Construction Site), progress of project (e.g., ensure completion of project according to schedule and milestones), safety (e.g., zero accident), payment and price (e.g., ensure funds for project implementation, no delay or quality problem due to payment, no change to construction plans, unreasonable claim for compensation, or “cutting corner”, etc.).

The general manager of the contractor also needs to guarantee that the project managers/team that are specified in bidding document will not be changed, the owner is
entitled to change project managers if they are not the ones specified in the bidding document, and the owner may terminate the contract if there are serious problems occurred during the construction period.

Selection of Subcontractors

In most construction projects, construction work is undertaken by professional construction subcontractors, whose work and quality can affect the overall process and quality of construction projects. Therefore, it is very important to select good subcontractors. A good general contractor usually demonstrates strong leadership and is able to gather a group of quality subcontractors. However, to pursue higher profit, general contractor may cut down subcontracting price, which may result in reduced quality of work. Therefore, project owners should select subcontractors for important works and review price or select good subcontractors for curtain walls, steel structures and decoration through open bidding.

Generally, project owners should select subcontractors with long-term cooperation with the general contractor. To ensure work quality, internal bidding may be conducted for selecting subcontractors for special work. The internal bidding can be organized by project owner and general contractor and participated by owner representative, investment supervisor, construction supervisor and other relevant parties. The bidding qualification can be determined by qualification, capability and past performance of subcontractors. The technical and commercial bidding documents should be reviewed by experts for selecting subcontractors with good technical plans and reasonable price.

CONCLUSIONS

Selecting good participating companies is essential for accomplishing project targets on quality, progress, investment control and safety. Project owners should lay down strict standards and principles and select good participating companies through bidding. Countless facts have proved that selecting good participating companies is essential for construction project success.

REFERENCES