

Measurement as a Source of Competitive Advantage

“How you gather, manage and use information will determine whether you win or lose.” Bill Gates (Microsoft)

Most contractors prefer to think of measurement in terms of what it costs. However to think of measurement in such simple terms is often to misunderstand its relative effect on the bid process.

The Importance of an Explicit, Competitive, Bidding Strategy

A recent study of the intensely competitive Chinese construction market identified 48 critical success factors (CSF) for the competitiveness of contractors.

Adopting an explicit competitive bidding strategy was identified as the most important factor to success. More important than management, marketing or the efficiency of the business itself. MR:41

To further exemplify the point, an American survey identified 21 factors that lead to construction companies filing for bankruptcy. The inability to define and then activate competitive bidding strategies was consistently identified as the most important cause of failure. MR:60

Services Designed to Improve Win Ratios and Increase Profit Levels

The continued success of our clients (mostly main contractors) is essential to us. We have therefore considered approaches and researched strategies that will allow us to assist them in gaining a competitive bidding advantage.

The ability of most contractors to bid effectively is fundamental to their profitability, if not their continued trading. However, in our experience (over 20 years also pricing work for hundreds of sub-contractors), the quality and clarity of some bid elements such as measured bills and sub-contractor packages often leads to inflated bid costs. A concern that is also identified in a number of current international research studies.

We believe for the reasons stated in this document that measurement and the provision of clear, accurate and properly referenced documentation should form an essential part of an explicit competitive bidding strategy.

Our service moves away from the closed rule based system offered by many employers' quantity surveyors (EQS) to one which is designed specifically for contractors. Completed work is also provided in a transparent format that removes most of the problems that are commonly found in the work of even quite experienced surveyors (see Appendix C).

Our approach is to provide a standard of measurement service (evolved using the principles of the statistician Dr W Edwards Deming) that drives out variation and waste, such that estimates can form a solid basis on which bid managers can adjudicate effectively.

We also have a wealth of experience in working with main contractors and can vary our approach to suit the requirements of individual operators.

Using Measurement to Add Value and Cut Costs

Our Measurement services are designed to provide:

1. Improved Bid Preparation
 - Co-ordinated approach.
 - Reduced time required by contractors' team.
 - Reduced bidding risks.
 - Less time pressures.
 - Lower bid preparation costs

2. Improved Bid Performance
 - Improved accuracy of measured and rated work.
 - Lower sub-contractor and supplier quotations.
 - Improved sub-contractor return ratios.
 - Lower cost options (design and build)
 - Ability to resolve errors in employers' documentation
 - Reduced need for provisions to cover unknowns.
 - Reduced bidding risks.
 - Reduced variance in bid data.
 - Improved programs
 - Clearer understanding of preliminary requirements.
 - Improved adjudications and presentations.
 - Improved win ratios.

3. Improve the Performance on Secured Projects
 - Measurement that can be used during the construction phase.
 - Improved project plans
 - Clearer understanding of unresolved issues
 - Improved accuracy of budgets and targets.
 - Reduced level of claims by sub-contractors.
 - Reduced waste.
 - Clearer understanding of variations
 - Improved margins.

Appendix F 'Calculating the Competitive Advantage', gives examples of formulae which can be used to evaluate the potential savings that a contractor can expect.

Pages 7-17 set out 7 approaches that we adopt. Each includes specific benefits you can expect together with some of the simple techniques we use. Page 18 sets out the additional value that the development of strategies and ongoing relationships can bring.

Developing Effective Bidding Strategies

As the market declines further we continue to research methodologies that we can apply to assist contractors. This work is not listed, however, extracts of some research are, however, made available via the web, and interested parties should contact us if they wish to be updated.

Do You Want to Secure More Work or Improve Margins?