

CONSIDERATION OF SUB-CONTRACTORS' BIDDING DECISIONS

A study of sub-contractor bidding decisions suggests that the policies main contractors adopt towards sub-contractors will have a significant effect on the rates that are received.

The following data is based on an analysis of experience and formal studies in which sub-contractors were asked:

- 1) what factors effect their decision to price or decline work?
- 2) what factors effect how competitively work is marked up or priced?

Bidding Criteria

The key criteria below are set out in order of importance.

- 1) The sub-contractor's need for work - taking into consideration their current workload and anticipated orders (judged against their desire to increase / decrease capacity)
- 2) The financial capacity and payment practices of the main contractor - would the sub-contractor get paid and when?
- 3) The likelihood of winning the work, specifically that the:
 - sub-contractor can provide a competitive price.
 - main contractor has reasonable chance of securing the work.
 - work is clearly specified.
 - work is let on a fair basis and that the main contractor does not have a reputation for shopping after a contract is awarded or re-negotiating a price with his own sub-contractors.
- 4) The suitability of the work and contract, specifically that:
 - the sub-contractor has a reasonable experience of working with the main contractor.
 - the main contractor is experienced in managing similar work.
 - the principal contract is acceptable.
 - the terms under which work is sub-let are acceptable.
- 5) Maintaining a relationship with a known main contractor so future work will be offered.
- 6) Time provided to price work, specifically that:
 - adequate time has been allowed by the main contractor to price the work.
 - the sub-contractors estimators have the time and resources to price the work.
 - that the pricing does not require an unreasonable amount of work on the part of the sub-contractor.

Suggestions

If lower quotations are to be received main contractors may wish to consider working with and allaying the fears of sub-contractors by:

- 1) having a better knowledge of the strengths and weaknesses of individual sub-contractors.
- 2) checking as to the availability of sub-contractors.
- 3) adopting a prompt payment policy.
- 4) creating a closer working relationship with a limited number of sub-contractors.
- 5) providing a clear (sometimes measured) specification of works in reasonable time.
- 6) clarifying the terms under which work is offered.

Some of these strategies are difficult to adopt as they require cultural changes and the support of other departments such as: buyers, contracts managers, accountants. They also require more thought and research on the part of those preparing packages.