TARGET VALUE DELIVERY IN BID PROCESS

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Various Lean construction scholars have noted that while construction clients are demanding for more complex and dynamic projects; the traditional tendering procedure is becoming incapable of handling the complexities.

The traditional tendering procedure still focuses on the lowest cost for the selection of contractors, while neglecting the technical and management qualifications.
The challenges of the traditional tendering procedure include rework & variation, cost & schedule overrun and missing items.

The application of TVD is quite challenging, especially in the public sector projects and traditional bid process, mostly due to the lack of early involvement of stakeholders and government policies.

There is no empirical data to show how TVD can be used to improve the traditional bid process.

The need to test TVD application on the traditional bid process and public sector projects cannot, therefore, be over-emphasized.

The idea of target costing focuses mainly on setting “cost” target while target value design broadens the concept to include time, quality, value targets etc.
LITERATURE REVIEW

• Target Value Design (TVD) = Designing to set targets (Cost, Quality and schedule) + Client’s Value + Collaboration + early involvement of key stakeholders.

TENDERING IS A PROCUREMENT PROCEDURE WHERE

POTENTIAL SUPPLIERS OFFER + ACCEPTED OFFER = CONTRACT BASED ON OFFER

- ASSESS NEED
- PLAN DESIGN THEN PREPARE BUDGET
- DEFINE REQUIREMENTS
- CHOOSE PROCEDURE

TENDERING

- INVITE TO TENDER
- EVALUATE TENDER
- AWARD

POST AWARD

- MANAGE CONTRACT
- RECEIVE & MAKE PAYMENT

Pre-Tendering

Market Cost

Cost

Allowable Cost

Target Cost

Time
**METHODOLOGY**

The case study method was used: -
**Two case studies**

The interviewees include: -
- Civil Engineers,
- Quantity Surveyors,
- Electrical Engineers,
- Mechanical Engineers
- Architects

Primary data collected: -
- Project documents,
- Semi-structured interviews of 17 project participants

The researcher participated in both case studies as the project manager in the first case study and as the project director in the second case study.
RESULTS AND DISCUSSIONS

TVD STEPS IN THE BID PROCESS

1. Selection and Pre-qualification of Tenderers
   - Send out the tender documents, giving details of the scope, tender criteria (this where you add TVD and other important info).

2. Invitation to tender (with TVD)

3. Workshop & training on TVD and set targets
   - Targets set can now be broken down to cluster targets e.g. mech. Cluster, structural cluster etc.

4. Break down to clusters with individual tenderers and design to target
   - Design options can be integrated to get suitable design

5. Develop final designs with elements designs from both tenderers’ design
   - Award the contract based on adherence to TVD practices, innovative contribution during design, tenderers competencies and negotiated cost

6. Give final designs to both tenderers to bid

7. Select the most responsive bid and award contract
   - You can also give the tenderers a blank bill to quote.
RESULTS AND DISCUSSIONS cont.

- 35.4% and 8.2% Cost savings in 1\textsuperscript{st} & 2\textsuperscript{nd} case study respectively.
- Project team delivered 1 month and 3 weeks before schedule in Case study 1 and 2 respectively.
- Developed knowledge and practice of TVD.
- Stakeholder satisfaction:
  - A better-integrated team.
  - Review of site conditions
  - Early identification of missing items on the design;
  - Improved tender document.
Initially, a lack of trust was noticed among contractors as a few of them felt that the process was a way of exploiting their ideas without awarding the contract to them.

Another barrier to this process is the lack of incentives and payment for the participating contractors. A few of the contractors felt that they ought to be paid for their contribution during the design especially if they fail to get the final contract.
### CONTRIBUTION TO KNOWLEDGE

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<th>This research has exposed that, key stakeholders can be involved early in the project by introducing TVD principles and practice in the tender criteria; TVD benefits will also be reaped by said projects.</th>
<th>This study is relevant to the lean construction community as it provides empirical data to show that despite the challenges and negative reputation of the traditional bid process, the incorporation of TVD into the bid process mitigates the reported challenges.</th>
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<td>The inclusion of TVD in the bid process in this study has helped to mitigate the problems caused by selecting the final contractor based on cost alone which has been a concern for the lean community.</td>
<td>This study has established that there are other criteria (such as competency, value for the client, cost, realistic schedule, the need and requirements of the project) that can be used to select a tenderer other than the lowest cost.</td>
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<td>Incentives are recommended to motivate all participants especially those that are not awarded the contract to eliminate the perception of exploitation.</td>
<td>This will also be useful to the construction industry in Nigerian (that relies heavily on the public sector) and other parts of the world.</td>
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<td>It also shows the TVD can be successfully implemented and its benefit realised in non-IPD contracts.</td>
<td>This study proffers a solution with practical evidence of how TVD can improve the bid process and mitigate the previous challenges reported.</td>
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THANKS FOR LISTENING

ANY QUESTIONS?