

Procurement in construction and property commerce essay

[Business](#)



Within this study I will be discoursing the current procurance scheme of the N. G. Bailey administration, a big UK broad M & A ; E edifice services company. I will besides look at ways in which the scheme can be developed and changed in line with industry believing to give the company best value, to maximize net income and to construct relationships with its` supply concatenation. The company presently spends 300 million of its` turnover on sub-contractors and providers for all of our undertakings. It is hence an country where a big sum of money could potentially be saved if using an appropriate scheme. Any scheme that is implemented must suit in with the overall company scheme, must besides be fit for intent and be easy to implement and turn over out to all members of the company. I will discourse current industry thought and recommendations and show a list of appropriate alterations that could be implemented to maintain the company competitory and at the head of the M & A ; E industry.

N. G. Bailey & A ; Company background information

The NG Bailey Company started as the Bailey-Billington Partnership back in 1921 with an equal capital portion of 50. After a twelvemonth, Noel Bailey Snr. bought his spouse out for 100 and formed a non-limited company, NG Bailey & A ; Co (hereto referred to as NGB) . At around this clip Noel Bailey engaged five learners (aged 14-15) . Mr Bailey was, in consequence, opening what subsequently became the company 's apprenticeship preparation strategy.

The company opened offices in Manchester in the early 1930 's, and in 1938, the company became a PLC with an authorized capital of 10, 000 and a work

force of 25. At this clip NGB were actively involved in Government work for the war attempt, including landing field lighting and aircraft mills.

By the late 1950 's the concern had outgrown its rented adjustment in Leeds and had to relocate to Ilkley. The company expanded with new subdivisions in Sheffield, Birmingham and Bristol, followed in the early 1960 's by an office in Dundee.

During the 1980 's farther enlargement continued, opening offices in Southampton and London, with offices in Aberdeen, Edinburgh and Glasgow replacing the original Scottish office in Dundee. In 1990, following demand from long-standing clients, the administration entered the HVAC market, to supply the full M & A ; E services bundle.

The Bailey group is made up of six independent companies:

1. Bailey Building Services - M & A ; E services
2. Bailey Teswaine - Specialist telecoms
3. Bailey Rail - Specialist rail division
4. Bailey Systems - Building control (BMS)
5. Bailey care - Facilities care (FM)
6. Bailey off-site - Pre-fabrication

The NG Bailey current vision is to give clients a `` one halt store '' for M & A ; E services, and a cradle to sculpt service for all the edifices that we provide M & A ; E services to. In the hereafter, the full undertaking direction of undertakings could be an option to give clients a genuinely incorporate service.

In the fiscal twelvemonth completing April 2010 the company had a turnover of ? 464 million with a gross net income of 13. 5 million . NG Bailey presently employs around 4000 people based at 23 locations throughout the UK . It is the largest in private owned M & A ; E company in the UK.

The chief countries of NGB`s work are as below:

- Health
- Education
- Power and industrial
- Railing
- Commercial
- Public edifices
- IT services
- Care

Company purposes and aims

The NGB administration purposes to be at the head of the M & A ; E services industry as it has been for many old ages. To make this it must respond to the market forces and both internal and external influences. The company mission statement has been the same since 1965 and is still as relevant today as it was so. `` To be the best in every facet of our concern, to the benefit of our clients, members and stockholders " - Noel Bailey, 1965 (NGB Intranet 2010) . The company must utilize its place in the market place to acquire best value from its supply concatenation at all degrees both up and downstream to the benefit of both the company and its clients. This must be done in a sustainable manner through partnering and model understandings,

I will be looking at these and other options for a new procurement scheme for the company, coming up with some recommendations to take the procurement map through these hard fiscal times.

Current place of the industry

The building industry has been seen for many old ages as adversarial and contractual with companies seeking to protect net income in any manner possible, with client, chief contractor and sub-contractors being wary of each other at best and distrustful at worst. The Latham study (1999) commented that and this made the industry measure back and believe what could be done to accomplish a more harmonic attack in the building industry as a whole. Egan (1996) besides commented that and this.

The state 's current economic clime and that of the building industry makes it even more of import to hold a procurement scheme that gives clients and chief contractors the comfort that they are acquiring best value and sustainable solutions, and a ground to take NGB over another contractor. The website `` teachmefinance. com " defines a recognition crunch as, `` A sudden decrease in the handiness of loans and other types of recognition from Banks and capital markets at given involvement rates. The decreased handiness of recognition can ensue from many factors, including an increased perceptual experience of hazard on the portion of loaners, an infliction of recognition controls, or a crisp limitation of the money supply. " (2010) . The recognition crunch is another ground why a company 's procurement scheme needs to be revised and aligned to the current economic clime, to maximize turnover and protect the company in difficult times.

With the vote in of the alliance authorities came the immediate and lay waste toing cuts in public disbursement on undertakings such as infirmaries and schools, NGB's staff of life and butter ". The company was immediately affected and took a large hit " when undertakings that were either imminently to be secured or grapevine work for the coming old ages were immediately taken out of our concern program. There has since been a reappraisal on public disbursement which has seen some undertakings given the green visible radiation where others have been put back out to tender. However, the full list of off undertakings has truly had an consequence on the building industry as a whole.

Before the company can make up one's mind on the type and construction of a scheme it must first expression at it 's upstream supply concatenation i. e. chief contractors and clients and besides calculate its demands and pass in the approaching months and old ages to come. With the economic system presently in a province of flux this is no average effort, but clip, money and resources must be allocated to make this at the beginning to set up the companies ' demands traveling frontward, otherwise there is nil to establish the scheme on!

The production of a procurement scheme alteration could be outsourced to an independent company to cover with, in concurrence with company direction squad. Whether done internally or externally a facilitator should be appointed to organize the retention of meetings, workshops, development of the scheme squad, the reappraisal of past and future undertakings and most

significantly to collate all the information. The function of the facilitator as discussed by Thomas et Al (2005) includes the followers:

1. Constructing the integrated squad
2. Helping the squad to come to determinations
3. Aligning the squads attempt towards a common set of aims
4. Developing a undertaking civilization from the separate civilizations of the assorted administrations
5. Adapting workshop and facilitation manners to accommodate squad kineticss
6. Valuing and promoting the part of all squad members
7. Keeping the impulse of the workshop and presenting the stated aims on clip
8. Acting as a accelerator, disputing the squads believing
9. Recording determinations and actions, composing and go arounding clear studies quickly "

Thomas goes on to speak about the usage of an external facilitator holding both advantages and disadvantages some of which are listed below:

Advantages:

- Independence and deficiency of prejudice
- Less likely to be hindered by political considerations
- Greater ability or freedom to dispute the position quo
- The ability of the group to engage a particular accomplishment at a specific clip
- Experience from other sectors / relationships

Disadvantages:

- The fee may hold to be paid out of the undertaking Or scheme budget. Whilst the inhouse facilitators costs may non be charged to the undertaking there will, however, be a resort cost that should be considered.
- Perceived deficiency of cognition of specific administrations. "

Masterman (2002) discusses the work of Harrison (1975) from his book `` The managerial determination devising procedure " it inside information seven stairs to the determination devising procedure for procurance systems, these are:

1. Set organizational aims
2. Search for options
3. Compare and measure options
4. Choose among the options
5. Implement the determination
6. Follow up and command by taking disciplinary action if necessary
7. Revision and update aims "

The above points are as relevant today as in 1975 and simplify the procedure of taking the relevant scheme for any company.

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National guard bureau wants to keep and beef up its place in the M & A ; E market place and it must

- Proposed alterations / scheme
- Up and down the supply concatenation
- Presently adversarial
- Current province of the industry
- Walker et Al (2008) lists the chief benefits of model understandings as: -
 - Improved design
 - Less waste and duplicate
 - Improved bringing
 - Greater quality
 - Greater certainty of cost
 - Better whole life-cycle costing
 - Building of swearing relationships
 - Bringing of all `` undertaking cognition " together at the origin of a undertaking.
- Procurement dictionary definition

The functional Procurement squad have three cardinal functions, which are:

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1. To supply local concern support ; This can typically affect pull offing the sourcing and choice procedure of 3rd party providers which NG Bailey require in the bringing of its operations.
2. Co-ordinate National Activities ; This could affect pull offing national understandings, providers or merchandise class and supplying strategic nexus between NG Bailey and its supply base.
3. Act as a concern control ; As a big concern we need to divide the duty for pull offing a budget and the ability to perpetrate to contract. Procurement will pull off the Sourcing procedure which provides hazard extenuation, validate understandings and will besides supply the transactional and systems support such as order arrangement.

Keypoints

Electronic Project Information Exchange ensures:

- Accuracy of information.
- Faster information exchange.
- Increased visibleness and traceability of correspondence

Top down and bottom up scheme

What is our scheme for acquiring sub-contractors on board?

What is our scheme traveling upstream?

Old school positions need altering to accommodate current clime and the manner frontward (cite the ways).

Strengths and failings of current scheme.

Form a new scheme for the BBS procurement function.

Performance reappraisals of subbys / providers after each undertaking to guarantee underperforming companies are non used once more.

Regular battle Sessions to do the subbies feel like portion of the squad

Main findings

Current types of procurance paths used within the building industry. Advise which 1 is used for Bailey by their chief contractors.

- Kaizen theory and practice
- Use ngb procurement power point as a guide
- expression for previous strategy details
- supplier / Subby assesments and pre-qualifications to prevent wasted time / Resourse and money.
- Early involvement in projects
- front end work a must
- sap alliance / discuss

Staff need to be made cognizant of the new company 's vision at the early phases of the acquisition and this needs to be re-iterated on a regular basis to guarantee that no-one loses focal point of where the company is heading. Once staff morale is affected, profitableness and efficiency start to diminish dramatically, this needs to be avoided at all costs. Larkin (1996) recommended four rules of pass oning alteration in an article published in theHarvardconcern Review these are as follow: -

`` When passing major alteration to employees, maintain it simple and avoid mission statements and direction announcements - most of import, give them the facts ; be straight.

Introduce the planned alteration face to face, non through pictures, publications or huge, impersonal public meetings.

Target supervisors: acquire senior directors who are involved in the alteration to brief little groups of supervisors face to face.

Make the briefings in two unit of ammunitions - foremost, to explicate the alteration and acquire supervisors` reactions and recommendations, 2nd, to explicate any alterations of the planned alteration based on supervisors` feedback. "

In Fig. 2 below, a typical cultural web can be seen ; this shows the manner that the symbolic, behavioral and physical manifestations of a company civilization are interlinked with the paradigm or `` taken-for-granted " premises that staff clasp. As can be seen from the theoretical account, all countries are interlinked. It is hence easy to see how little alterations in one country can impact all the other countries of the web. If you change peoples` believing about procedures and systems of a company original `` learned " behavior can be overwritten and replaced with new thoughts and beliefs.

Higher direction demand to be seeable and must be seen to be actively advancing the new scheme, staff chosen to take the acquisition should hold good people and leading accomplishments, staff need inspirational people to look up to, and need to cognize that the direction support the acquisition and

are non merely paying lip service to the companies ends and aims. This once more can impact morale and productiveness if people are non purchasing in to the company scheme. Nicky Hayes (1997) remarks in his Successful Team Management book that, `` Peoples are speedy to observe the difference between existent regard and lip-service and they will react suitably. Trying to prosecute in successful squad direction without regard for the people who make up the squads is every bit unpointed as seeking to ski in fins ''

Use OF E-AUCTIONS AND `E` TENDERING TO GET BEST PRICE / VALUE FOR MONEY AND SERVICE

- e-business is an chance, non a menace.
- engineering is non a barrier.
- develop an e-business scheme based on your concern scheme.
- Citation

e-Trading leads to:

- Simpler sourcing of merchandises.
- Reduced costs.
- Faster processes.

The electronic exchange of these paperss offers three cardinal benefits:

1. Printing and posting costs can be reduced.
2. Information can be circulated and returned in less clip.
3. Standard formats allows applications to utilize the informations without manual re-keying.

e-Tendering ensures:

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- Accuracy from undertaking beginning.
- Decreased volume of undertaking certification? Reduced costs.
- A better controlled procedure.

Dti report (Quote)

1. The Construction Industry Computing Association (CICA)
2. The Construction Industry Trading Electronically (CITE)
3. Concept IT
4. E-Centre UK
5. InformationTechnologyConstruction Best Practice programme (ITCBP)

Need to develop SMART PEST SWOT ETEC ETC procurance scheme to travel with the times KPI`s and measureable simple non complex methods.

Integration of all procedures company broad. Sort diaries use latest issues.

Talk about recession and the consequence cut down of authorities disbursement on schools infirmaries etc. Look at supply concatenation web sites. Mention SAP confederation and how it worked with upstream chief contractors and our ain supply concatenation.

Benchmarking of all bombers / supp Kpi 's for all facets to guarantee things are come oning Timelines for accomplishing set aims / programme

Ownership of all facets by persons

Regular reappraisals of policy / objectives in line with industry believing and market conditions Use of outside company to organize scheme impartial and have industry cognition, good overview

Some companies may not be able to work in the new theoretical account but may still necessitate to be used as they are of import to the bringing of undertakings and services.

Feedback to companies not selected, and grounds why not selected, give feedback as the wanderer theoretical account 3 tier attack to approved providers / list out the types

Describe our upstream relationships before speaking about downstream and how it is affected Look at the turnitin web site!.

Conclusion and company recommendations

- must move with the times and current industry trends
- must be able to adapt quickly
- clear strategy going forward and regular reviews / Benchmarking & a ; KPI's
- must be willing to change the strategy if it is not working correctly, do n't be afraid to say we did something wrong
- bring in the correct people to implement strategy
- peoples who are unwilling to change create barriers, these people need educating.
- don't talk at people, engage them in the process
- sociable events and get together to promote collaborative working /
- cultureshift for all parties involved

- protection of profit margins and repeat business
- create initiatives and rewards for the members of the team
- make what you do best, diversification can be risky especially in markets we know little about, a little knowledge can be dangerous.
- regular reviews to ensure strategy is working
- adapt to current market trends
- trading on old relationships
- keener pricing due to current economic climate
- latham and egan
- holocene industry thinking
- streamlining of processes and paperwork (E-auctions etc)
- post mortem of projects and process on a regular basis so that the strategy can be re-aligned and revised if required
- evaluate hazard and identify sectors of the business and re-align the strategy to suit

When restructuring or explicating a alteration direction program there are a figure of tools which can be used to give an index of where the company is at a minute in clip and give indicants of its strengths and failings in the market place due to both internal and external factors. Two of the most popular methods used are the S. W. O. T analysis and the P. E. S. T. L. E

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analysis. The end product from these analyses can so be used to see where the company needs to better ; these can so be used as drivers within the alteration direction proposals. Details of what S. W. O. T and P. E. S. T. L. E represent are described below.

S. W. O. T analysis

Strengths - Identifies countries where the company is strong and leads the several market.

Failings - Identifies where the company is missing in some countries and has room for betterment.

Opportunities - Identifies future markets / undertakings that the company may be able to take advantage of.

Menaces. - Identifies rivals and possible alterations to market tendencies

An illustration of a S. W. O. T analysis templet can be found in Appendix 5. 5.

P. E. S. T. L. E. analysis

Political - Identifies outward forces such as authorities, revenue enhancement, environmental jurisprudence and trade limitations.

Economic - Identifies forces such as economic growing, involvement rates, rising prices etc.

Social - Identifies cultural facets, labour handiness, tendencies in societal development etc

Technological - Identifies ecological and environmental alterations and invention.

Legal - Identifies forces such as consumer jurisprudence, favoritism jurisprudence, employment jurisprudence and wellness and safety Torahs.

Environmental - Identifies factors such as conditions, climate alteration, tourism and altering markets.

An illustration of a P. E. S. T. L. E. analysis template can be found in Appendix 5. 6.

Another acronym that is used when making up one's mind on a new scheme is S. M. A. R. T, this is a method that has been used for many old ages now but is still relevant in concern life every bit good as for putting personal ends. Details of what S. M. A. R. T. bases for can be seen below.

S. M. A. R. T

Specific - Means that the aim is a defined or fixed end.

Measurable - If an aim is measurable, it means that the measuring beginning can be identified and consequences can be tracked.

Accomplishable - Aims need to be accomplishable, i. e. in the close hereafter. If it is excessively far in the hereafter acquiring motivated may be hard.

Realistic - Aims that are accomplishable may not be realistic, a alteration in want or working may be required.

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Time-Bound - Time-bound means putting distinguishable deadlines for the accomplishment of the aim.

Staff morale, perceptual experience and motive should be a cardinal factor when covering with a new scheme, the usage of Herzberg 'sMotivation-Hygiene theory can be considered when make up one's mind how to actuate staff, the theoretical account looks at facets of the workenvironmentthat motivate workers. From his findings Herzberg concluded that `` there were two different class of factors that affect how employees feel about their occupations. " (CEM Motivation at Work Paper 6002, p. 6) . The first class is hygiene or care and the 2nd class is termed incentives. An illustration of Herzberg 's theory can be seen below in Fig. 5.

Herzberg farther discusses that `` by keeping the occupation environment at an acceptable degree, feelings of dissatisfaction can be avoided. "

(Motivation at work) . His theory besides suggests that it is of import to look at factors termed incentives `` because they efficaciously motivate people to superior occupation public presentation. " Herzberg goes on to explicate that `` employers should concentrate on the incentives in order to increase productiveness and efficiency. " (CEM Motivation at Work Paper 6002, p. 7) .

Contrasting to Herzberg 's theory is McGregor 's Ten and Y theory ; this examines the manner workers are managed in relation to their motive. The theory describes `` people inside the administration can be managed in two ways. " The first is negative, known as class Ten and the 2nd manner is positive, known as class Y. McGregor concludes that `` a director 's position

of the nature of human existences is based on a certain grouping of premises and that he or she tends to model his or her behaviour towards subordinates harmonizing to these premises. " (CEM Motivation at Work Paper 6002, p. 8) . An illustration of McGregor 's theory can be seen below in Fig. 6.

Another point to see as portion of any alteration direction program is the constitution of preparation demands for all staff members. We ne'er stop learning from the twenty-four hours we are born to the twenty-four hours we die, it is of import in concern to give your staff the tools to enable so to transport out their occupation every bit expeditiously as they can to maximize productiveness and profitableness for the company. Training in any company should be an on-going procedure, and should be given a high precedence along with finances to guarantee that the work force is adequately equipped to transport out their functions.

An administration with a strong and healthy preparation programm is sometimes referred to as a `` learning administration " , Mayo (1993) gives a figure of features that define a learning administration, and these are:

1. ` People 's development assumes a high precedence among directors.
2. Consultation of employees at operational degree occurs as a affair of class.
3. The methods of acquisition that are used are decided upon by employees instead than directors.
4. Mistakes or accidents are treated as chances to larn instead than being used as a agency to fault and penalize ; retrieve that some of the

greatest innovations that have been discovered occurred as a consequence of accident instead than design.

5. Information is shared by everyone.

6. Openness and honestnes among members is accepted as `` normal "

7. Spontaneity and informality are encouraged.

Sadler (1995) was besides an advocator of the learning administration and produced the following `` procedures and influences " diagram to demo the interaction of learning types within an administration. It is interesting to observe that acquisition is present in many of the daily activities we carry out ; we all take in cognition and larning without sometimes even gaining it. Sadler`s `` procedure and influences " diagram can be seen below in Fig. 7.

One of the most common schemes or visions used and quoted by companies is that of `` uninterrupted betterment " . This term comes from the Nipponese word `` Kaizen " which means alteration (Kai) and Better (Zen) . The Nipponese see that life and concern are ever germinating and bettering, they are non fixed and house but ever in a province of flux. Kaizen theory besides focuses on the usage of squads within administrations but besides on persons within those squads. The battle of staff in the visions and ends of the company is besides recognised in the theory. Kaizen seeks to extinguish waste by authorising people and besides looks at doing betterment in all facets of concern to do procedures more streamlined and efficient. The theory besides recognises that little alterations can do a large difference in administrations. Kaizen theory was developed after World War Two by the Toyota Corporation. It implemented the uninterrupted betterment of quality, engineering, procedures and company civilization. An

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offshoot of Kaizen theory was the ``just-in-time'' methods of working which reduced waste and the demand for storage of stuffs. The term ``The Toyota Way'' was coined after the new working methods had been so successful, and it is a method that many Western companies have adopted. The 10 chief rules of Kaizen along with an illustration of the ``Kaizen umbrella'' can be seen below, and in Fig. 8.

10 Principle of Kaizen

- Say ``No'' to position quo, implement new methods and assume they will work.
- If something is incorrect. Correct it.
- Accept no alibis and do things go on.
- Improve everything continuously.
- Abolish old, traditional constructs.
- Be economical. Salvage money through little betterments and spend the saved money on farther betterments.
- Empower everyone to take portion in job resolution
- Get information and sentiments from multiple people
- Before doing determinations, inquire ``Why'' five times to acquire to the root cause.
- Remember that betterment has no bounds. Never stop seeking to better.

Peoples are the basis of any administration and without the buy-in of staff for any new amalgamation or vision it is doomed to failure. Peoples must be treated with regard and compassion when one company merges with

another. Inevitably, there may be occupation losings as the new company is
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formed, and this can impact morale and productiveness, nevertheless the company must hammer in front with its new vision or scheme for the benefit of the company. The civilization of the merged company besides needs to be addressed, staff 's beliefs, attitudes, work morals and spiritual orientation should be considered when explicating the scheme. Staff should be consulted at all phases of the amalgamation, feedback should be sought to measure morale and how the company vision is being delivered.

Management construction and attitude will travel a long manner to successfully implementing the new procurance scheme of the company. Directors and caputs of section should take by illustration ; this will promote staff to fall in in on the journey to accomplish the new scheme. The direction construction and methods of working will be paramount to the success of the procurance map traveling frontward. Staff must be selected for their strengths and developing provided to assist out with any failings they may hold, and if the capableness is non within the company so it should be sourced from exterior.

Finally, the company must accommodate to alterations from both internal and external forces. The current market is invariably altering and we must travel and accommodate to forestall acquiring left buttocks. The procurement direction scheme should be seen as of all time altering and non a house and fixed procedure. It should besides be noted that regular reappraisals and engagement Sessions should be carried out to guarantee the scheme 's impulse does non fire out. This is paramount to the success of any scheme.