

Procurement strategy for jh private hospital construction essay



In regards to this I'm glad to inform you that I will be going through with report of procurement strategies. I will also analyse each strategy and show a list of advantages and disadvantages of each type with recommendations and in summary come with the most suitable method to satisfy requirements vis-à-vis the key client requirements. I will try to make the report recommendations as clear to understand as possible and reasons for disregarding alternative methods again regarding the client's brief. Thank you very much for contacting me I currently have no issues for further clarification

The traditional method has been used in the construction industry for many years. It is one of the most used methods of procurement and has two main features. Firstly each stage is separate with no overlap between the design and construction phases. Secondly all of the drawings, schedules and quantities must be given by the client before contractor can start tendering process for carrying out any work ([jctltd. co. uk/traditional-procurement](http://jctltd.co.uk/traditional-procurement)).

Pros

One advantage of the traditional procurement method is that the cost of the project is usually known before the construction is started therefore reducing any finance issues.

A contractual commitment on price gives the client more peace of mind and greater security when applying for finance.

Pricing is competitive for contractors.

As the design is finished before the build this generally means the design is well documented and therefore has better clarity for the construction stage.

Low risk in project allocation. (Procurement_SingleStageTendering_Nov08)

Cons

With the traditional procurement method design and construction are separate processes this means that the time on the particular project will be vastly greater than that of other jobs.

Another disadvantage with using the traditional procurement method is that as the design and construction are done at separate stages which means that any issues that arise in the construction stage can be very difficult and costly to fix.

If financial issues do arise the contract does have can adjust the costs.

Traditional Method with Two Stage Tendering

The traditional procurement method with two stage tendering, is a slightly different process to single stage tendering. A Contractor is appointed on the basis of a first stage tender which determines the level of overhead and profit for each Contractor (designguidance. skillsfundingagency. bis. gov. uk). The Contractor works with the Project Team in the second stage and then develops the designs to determine costs for the work. This gets a fixed price for the designs.

Pros

Early appointment of the main contractor and a quicker start on site.

Securing the involvement of a contractor on a competitive basis

More client involvement in the appointment of subcontractors.

Motivating the design and construction teams to reduce cost and increase value (all 4 above from [www. building. co. uk](http://www.building.co.uk)).

Cons

This method requires a second stage period in which to design and tender the different work which lengthens time before construction can start on site.

Increases the risks of an increase in price and a less clarification on completion date (Procurement. PDF).

Design and Build

The design and build process is again a very commonly used method of procurement. The Client appoints a building contractor. As with traditional methods, cost for the project is agreed and set with contracts. The Contractor is responsible for design and construction. The Contractor can be chosen through a tender process. The client can appoint a consultant to oversee the works. ([designguidance. skillsfundingagency. bis. gov. uk](http://designguidance.skillsfundingagency.bis.gov.uk))

Pros

Design and build is a much quicker process than the traditional method.

Main contractor is responsible for the design and the construction of the project which means better flow between both processes.

Costs are certain as with traditional which means easier gathering of funds from the bank.

Almost 70% of traditional contracts end up over budget, compared to D&B which is only around 25-30% over budget (wiki. answers. com)

Cons

Could cost more as bidders and can increase the price as they are tied into both the design and build stages.

The contractor has no incentive to save money as they will always end up with a percentage.

Some bidders will leave things out looking for expensive changes.

Construction Management

Construction Management is a fast track strategy this means a reduction in project time by overlapping the project design and construction phases. The provider will appoint a Construction Manager to manage the overall for a fee. Also the project has early involvement from the contractor. In this process the contracts for the sub-contractors are placed directly between the client and the sub-contractor. Construction management also has a high level of client involvement in both phases of work. Final costs unlike traditional and

design and build are not known until after the project work has finished (designguidance. skillsfundingagency. bis. gov. uk).

Pros

Quick method to use as design and build stages overlap

Early involvement from contractor which benefits the client, getting early cost estimates (www. davislangdon. com).

Design can be changed during the build process far easier than with traditional methods.

Cons

Final costs are unknown until work has finished.

Construction manager has no direct contract with the trade contractors (www. worldservicesgroup. com).

Difficult to control cost increases (www. worldservicesgroup. com).

Public Private Partnerships (PPP), Private Finance Initiative (PFI)

Public Private Partnerships (PPP), particularly Private Finance Initiatives (PFI) projects are where a project is designed built and paid for by a business who appoints a contractor; it is then leased back to the client usually over a 30 year period. This tendering process in this procurement route is expensive and requires negotiation rather than competitive tendering.

(designguidance. skillsfundingagency. bis. gov. uk)

Pros

The Risks of the project lie with private sector rather than the client.

Method involves specialist private sector construction knowledge (www.worldservicesgroup.com).

Cons

In comparison with other procurement methods it takes a lot longer for work to start on site.

Loss of control in the construction trade by the public sector.

Can be hard to show value for money (www.worldservicesgroup.com).

Confusion over what happens at the end of the buildings lease also brings up issues.

Management Contracting

Management contracting is also a fast track strategy which overlaps the design and construction stages and allows the project construction to start before the design is fully completed. The Management Contractor is appointed early in the design (designguidance.skillsfundingagency.bis.gov.uk). However like PFI and PPP final costs cannot be determined until the build is finished as adaptations to the design can increase cost.

Pros

Management Contractor has early involvement and manages works contractors (www. worldservicesgroup. com)

One management structure which means the project can run more smoothly

Cons

No responsibility for design and construction.

Management Contractor only responsible for workmanship to the extent that works contractor is responsible /able to pay (www. worldservicesgroup. com).

Decision Matrix

Criteria

S= Score

WS= Weighted Score

Weighting

Traditional Method.

Traditional

Method

With 2 Stage.

Design and Build.

Construction Management.

PFI, PPP.

Management Contracting.

S

WS

S

WS

S

WS

S

WS

S

WS

S

WS

A). Early contractor input into the design process.

6

2

12

2

12

5

30

6

36

6

36

6

36

B). Early start and finish or shortest total procurement time.

5

3

15

1

5

6

30

5

25

1

5

4

20

C). The building is highly specialised and technologically advanced.

4

6

24

6

24

4

16

4

16

5

20

4

16

D). A high quality of finish is important.

3

5

15

5

15

3

9

1

3

2

6

4

12

E). Project sponsor to retain design team control.

2

4

8

4

8

6

12

5

10

4

8

3

6

F). Flexibility to make changes once the work has begun.

1

1

1

1

1

3

3

5

5

4

4

5

5

Total Weighted Score

75

65

100

95

79

95

Recommendation of the Most Suitable Client-Financed Procurement Option

The recommended procurement type for the John Hopkins Private Hospital in the Northeast is design and build. This is for many reasons. Firstly on the decision matrix the order of priority which has been specified by the client, design and build arrives at the highest score of 100. Design and build also rates highly on the top 3 most important factors in the decision matrix.

A key aspect in the design brief is the fact the hospital must be high spec containing high tech equipment to make the John Hopkins Private Hospital a European centre of excellence. Design and build performs well to create a high spec building as there is no incentive by the contractor to save money which may be considered a disadvantage in some cases but not in this instance. Also in the budget sense unlike construction management, PFI and management contracting, the precise costs are known from the outset of the project once the design has been finished and before the construction begins and unlike the traditional methods, the majority of design and build projects finish on budget.

Another important factor specified was early input from the contractor.

Design and build performs well here too, as the contractor is appointed early and also as an added bonus runs both the design and build stages of the

project which means smoother running and less likelihood of mistakes in both the design and construction stages of the project.

However unlike construction management, PFI and management contracting, design and build does not perform as well as it is more difficult to alter the design once construction has started, yet this is not particularly high on the agenda for the project.

Finally design and build projects on whole do have an early start and finish time which is high up on the criteria. This is because as the contractor is selected early and runs both the design and construction stages the project runs smoother and therefore faster yet maintains quality.