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In this case, the Lead Contract Buyer is responsible for pricing out a very tightly specified testing laboratory construction project. However, it is the Buyer's perspective that the four suggested suppliers are not adequate to perform the work at an acceptable price. In an effort to cull a better cost advantage, the Buyer has requested from the Project Engineer, Sheila, the permission to include two other suppliers in the bidding process. When the prices come back, the lowest of the bids was one of these two contractors. However, the Project Engineer has chosen to back the lowest of the four original and recommended sources. It is now Mark's decision how to resolve this issue.

The ultimate decision should be one that considers several other factors, such as the extraneous costs of contracting construction, that may not be balanced in the bid. These factors include, start-up and testing costs, warranty terms, level of personal service, flexibility when working on unexpected costs, value engineering, and design-build abilities. These are all differentiating factors that deserve attention.

In the case of the four original contractors, there is obviously a certain rapport that the Engineering department shares with these companies, or a certain level of reputation that has encouraged the Engineering department to prefer them as suggested sources. However, the ultimate decision should be based on a combination of both engineering and pricing values.

There are often times where the engineering and purchasing/contracting disciplines conflict. While it is engineering's responsibility to build a job to spec, it is not their job to necessarily cut costs. However, if the engineering department is well qualified to value engineer the job to bring down the price, then it is possible to go in

with a higher priced vendor, and work down the cost. This is a strategic decision of how to allocate the company's resources; whether to use engineering as a value-added discipline in the construction process, or whether to start with lower up-front costs with the risk of a challenging pricing exercise throughout the project, and possibly higher ongoing costs.

It is the role of a Project Manager or Project Director to make this call, taking into account the input of both the purchasing and engineering functions. This decision must be balanced according to the goals of the firm regarding financing, expected long-run costs due to ongoing construction, the relationship of the firm and the contractor, and the level of quality of service provided. In the case of a project with a tight deadline, you want to know your contractor has experience, is able to meet the specs on time, and will not be charging you for make-up work.