



BPM213

Procurement Management

STUDY UNIT 1

Concept of Procurement Management, Parties Involved, Needs of Clients, Suppliers and Contractors

OBJECTIVES

At the end of this learning unit, you are expected to:

- Apply an understanding of the basic concepts of procurement management, the considerations influencing the choice of a procurement strategy, and in contractor selection.
- Understand the roles played by all the parties and/or stakeholders involved in the tendering and procurement of facilities management and event services.
- Develop an understanding on the needs of the client, the contractor/supplier in the procurement of goods and services for facilities management and for events.

Preamble Statement

Unless otherwise stated, the procurement principles and issues in this module apply to construction, facilities and events management.

OVERVIEW

Procurement is the process of obtaining goods and services from another with care and effort, and for some consideration. Today's building facilities and events projects are often vast in scope, involve several stakeholders and clients, require contractors, suppliers, vendors, designers and specialists, are executed at arm's length and may take considerable time to plan and to complete.

The client's perspective of the cost, quality and time paradigm might be considered as being the highest quality, at the lowest cost, and in the shortest possible time. But there are many other factors and considerations which influence the choice of the procurement strategy and the selection of a suitable contractor which this study unit attempts to deal with.

The parties involved and the procurement needs of the client, the contractors and suppliers are also addressed in this unit.

1.1 Concept of Procurement Management

1.1.1 Definition, Scope, Stages and Development

1.1.1.1 Definition

Procurement is defined as the acquisition of goods and/or services at the best possible cost of ownership to meet the buyer's needs in terms of quality, quantity, time and location. Organisations often define processes to promote fair and open competition

for their business while avoiding fraud and collusion. The purchase could be carried out by any contractual means including purchase, lease, rental or hire purchase.

Today's projects are so vast in scope that they need many designers, require specialist contractors and suppliers and can take much time to prepare and complete. According to Amaratunga and Sarshar (2000), **the budget** of any organisation may require up to 30 - 40% of the capital outlay, being second in cost only to payroll¹.

The procurement issues are due mainly to the need to comply with several regulations involving professional consultants, achieve value for money, show accountability and regulate complicated contractual relationships in order to meet the client's requirements based on cost, quality and time.

Broadly, procurement is defined as the acquisition of goods and/or services at the best possible cost with reference to the purchase, lease, rental or hire purchase. According to ISO 10845-1:2010(en) on construction management, procurement is a process that creates, manages and fulfils contracts relating to the provision of goods, services and engineering and construction works or disposals, or any combination thereof.

1.1.1.2 Scope of Procurement

Baily et al. (2015) suggest that the scope of procurement and purchasing should cover the following broad statement of objectives, based on current trends:

- To supply the organisation with a flow of materials and services to meet its needs.
- To ensure continuity of supply by maintaining relationships with existing sources and by developing other sources of supply either as alternatives or to meet emerging or planned needs.
- To buy efficiently or wisely, obtaining by ethical means the best value for money.
- To maintain sound co-operative relationships with other departments, providing information, providing information and advice as necessary to ensure the effective operation of the organisation as a whole.
- To develop staff, policies, procedures and organisation to ensure the achievement of these objectives.

Baily et al. (2008) also suggest some of the following specific procurement objectives:

- To select the best contractors/suppliers in the market
- To help generate the effective development of new products
- To protect the company's cost structure

¹ Amaratunga, B. and Sarshar, M. (2000). "Assessment of facilities management performance – what next?" *Facilities*, 18 (1/2), 66-75.

- To maintain the correct quality/value balance
- To monitor trends in the supply market
- To negotiate effectively with suppliers for mutual benefit through economic performance
- To adopt environmentally responsible supply management

1.1.1.3 Stages in Procurement Process

Generally, the main stages in a procurement process or cycle may be summarised as follows:

1. Recognise and establish the need for purchase/procurement
2. Specification
3. Decision to buy
4. Identify the source of procurement
5. Select the source of procurement
6. Make the necessary contract arrangements
7. Manage the contract
8. Receive the goods and services delivered, with inspection
9. Payment
10. Fulfilment of procurement need

The activities mentioned above exclude all those that a purchasing staff might be involved with, such as negotiation, vendor rating and source development, strategic purchasing activities and contract management.

Syson (1989) has stated that purchasing has been transformed from a service function whose aim was expressed in terms of price, quality and delivery requirements to one which makes a contribution sustainably competitive by reducing the cost of ownership, cycle time reduction and improving time to market.² Simply to improve service levels or to cut costs is no longer enough. Purchasing must focus on its relationship to end-market performance.

1.1.1.4 Development in the Role of Purchasing and Supply

External Organisational Factors

Purchasing is now considered by many companies as a strategically important activity because of the following reasons:

1. Leading-edge concepts – Organisations practising leading-edge concepts to materials management are using integrative ideas based on a strategic or integrated purchasing role, including:
 - Best practice benchmarking

² Syson, R. (1989). 'The revolution in purchase', *Purchasing and Supply Management*, September 1989.

- Total quality management
 - Just-in-time philosophies
 - Supply-chain concepts
 - Empowerment of suppliers
 - Relationship management
 - Customer focus
2. Fewer but larger suppliers – This concentration is due mainly to amalgamations, takeovers and the failure of the smaller and less viable business units. This leads to obvious problems for purchasing and supply, and hence the need for purchasing to play a strategic role.
 3. Increasing environmental awareness – It is good business sense to be 'green', and to be seen to be responsible in this aspect. Typical measures related to and affecting the purchasing function include specification of renewable raw materials, recycling, a greater concern for the effects of waste and by-products and use of returnable packaging.
 4. Competitor activity (benchmarking) – This is a process whereby an organisation will have to look at what levels of performance competitors are achieving so that comparisons can be made when trying to develop new ideas. It is not just about copying good ideas from competitors, but also about providing a motivating target for other competitors to raise the profile of the purchasing function.
 5. Customer demands – With the customer being considered as all important, organisations have to be more 'customer driven', and these driving forces also impact the purchasing function.
 6. Advancing technology – Due to advanced technology and the related complexity, most businesses now specialise in a narrow range of activities and have to buy a greater proportion of their requirements from companies that have the specialist expertise, patents, intellectual property or design rights associated with complex or advanced technology.
 7. Finite resources – To promote corporate social responsibility, organisations have to be aware of the use of finite natural resources and consumption needs to be planned in the purchasing function.
 8. Innovation – Due to the fast pace of change, organisations must be able to develop new practices and products effectively and quickly. Significant improvements are needed in the internal interface between purchasing on one hand and production, marketing and finance, etc. on the other, as well as external suppliers and customers. With shorter product life cycles and compressed reaction times, a proactive purchasing function is needed to initiate new ideas and developments. The current focus is on 'time to market' initiatives.
 9. E-commerce – Organisations must now have plans in place to handle development, and purchasing needs to be actively involved. E-commerce is developed to show that purchasing should have an appropriate supplier base and be involved with suppliers who can jointly develop and use e-procurement approaches to business.

Internal Organisational Factors

The internal influences often trigger the changing role of the purchasing function. These influences include the following factors:

1. The level and percentage of purchased goods and services in relation to the sales income.
2. Structural changes – Moves towards materials management, logistics and supply chain concepts have in turn helped to develop the purchasing and supply function with more attention given to this area.
3. Performance measurement – There has been more emphasis in recent years by organisations to measure the contribution by the purchasing and supply function. Senior management is now aware of its contribution to cost reduction and its strategic capabilities.
4. The changing nature of buyer-seller relationships – A simplistic view of purchasing activity is that buying involves finding a supplier who is willing to exchange the goods or services required for an agreed sum of money, and to buy as many resources as possible with as little money as possible. This is still an appropriate way of looking at the process whereby low-cost items, for which there are many competing suppliers, might be purchased. But much more attention is paid in recent years to the development of mutual supplier-buyer relationships, where the benefits of doing business together arise from ideas of sharing as well as exchanging. In a mutual relationship, the emphasis is on building a satisfactory outcome together using for example, technology. Confidence and support are invested by both sides with the intention of adding value, a process not possible with a single transaction.
5. Purchasing is now seen as a proactive function, and the work becomes more strategic in emphasis (see Table 1).

Table 1 Changing purchasing roles: Reactive and Proactive buying; Source: Baily et al. (2008)

Reactive Buying	Proactive Buying
Purchasing is a cost centre.	Purchasing can add value.
Purchasing receives specifications.	Purchasing and suppliers contribute to specification.
Purchasing rejects defective materials.	Purchasing avoids defective materials.
Purchasing reports to finance or production.	Purchasing is a main management function.
Buyers respond to market conditions.	Purchasing contributes to making markets.
Problems are suppliers' responsibilities.	Problems are a shared responsibility.
Price is a key variable.	Total cost and value as key variables.
Emphasis is on today.	Emphasis is on strategic procurement.
Systems independent of suppliers.	Systems may be integrated with suppliers' systems.

Users or designers specify.	Buyers and suppliers contribute to specification.
Negotiations win / lose.	Negotiations win / win (or better).
Plenty of suppliers = security	Plenty of suppliers = lost opportunities
Plenty of stock = security	Plenty of stock = waste
Information is power.	Information is valuable if shared.

1.1.2 Strategic Procurement, Strategic Procurement, Supply Chain Management and Public Procurement, Outsourcing, Inventory Management, Quality Management

1.1.2.1 Strategic Procurement

As all organisations need to plan for the future, this requires the development of frameworks to allow the process to take place. Once strategic objectives have been agreed, the strategies themselves can be formulated. It is necessary that all business functions, including purchasing, are involved in this process. Purchasing has now become involved in both tactical and strategic decision making in today's successful organisations. Such strategies dictate the way purchasing departments are structured to allow them to integrate with the rest of the organisation.

Strategic Procurement

A proactive strategic procurement operation can give the organisation a competitive advantage by reducing waste in its value chain. Purchasing strategies cannot be developed in isolation but need to be integrated with the corporate strategy to succeed. Figure 2 shows the how purchasing can be involved at strategic, tactical and operational levels.

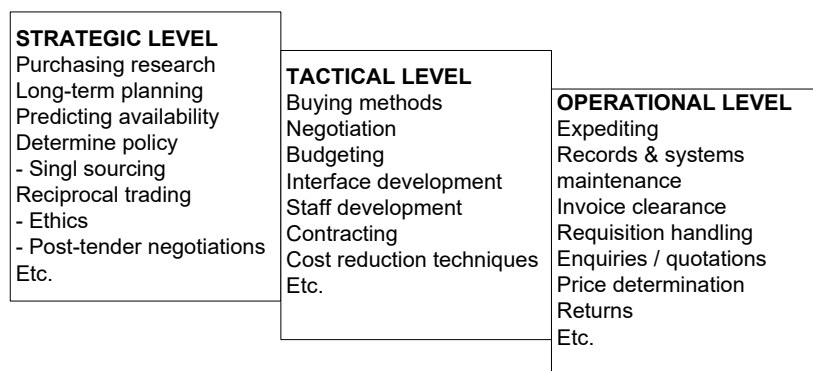


Figure 1 Scope of purchase function, Source: Baily et al. (2015)

Effective Supply Market Strategies

Effective supply market strategies involve analysis, weighing up probabilities, defining strategies and planning their implementation in detail. This includes:

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- Analysing the supply chains in order to find key points at which competitive advantage may be sought or threats exist.
- Understanding the potential impact of particular strategic interventions upon the supply market, in order to develop the likely re-arrangements that may occur and how competitions may react.
- Proactive purchasing activities need properly trained staff and developed buyers who can work well in teams and cross-functional barriers.

Organisation of the Procurement Activity

Centralisation/Decentralisation

Most large organisations adopt some compromise between buying everything centrally and buying everything locally, with the aim to balance the advantages of strengths and those of flexibility. Basically, there are 3 alternatives:

1. Complete decentralisation, which allows full autonomy in each of the units;
2. Complete centralisation –all purchases are made from a central office (apart from local purchases of small value), and
3. Combination of Option 1 and 2.

The advantages of decentralisation are:

- The local buyer has a better knowledge of his particular business needs, factory or unit of suppliers, and of transport and storage facilities.
- The buyer can respond quicker to emergency requirements due to shorter lines of communication and greater awareness of local circumstances.
- The local buyer's direct responsibility to his immediate management will produce better liaison and tighter control by local top management, particularly where they operate as a cost centre.

On the other hand, complete centralisation has the following advantages:

- Economies of scale obtained by consolidating similar requirements of all units in the group, thereby improving purchasing strength in negotiating and facilitating supplier relationship.
- Avoiding price anomalies between group units and of competition between them for materials in short supply.
- Better overall stock management and material utilisation.
- Economies of staffing and clerical effort with uniformity in purchasing procedures, forms, standards and specification.

The central purchasing office is usually responsible for:

- Determining procurement policy, standards, procedures and group specifications.
- Negotiating contracts for common materials which are used by the group in any volume.
- Major plant and equipment and capital project contracts.
- Contracts for imported materials and exports where relevant.
- Legal matters relating to supply.
- Co-ordinating group inventory.
- Educating and developing the supplies personnel within the group, and providing advice on staffing and related recruitment.

Various methods of organising the function

The possibilities include organising by:

- End product – The section is within the purchasing and supply department managed by a team leader and is responsible for buying all materials associated with a particular end product.
- Category – Teams are responsible for buying related categories of materials (e.g. timber, paper products, plastics, castings, forgings, etc.).
- Value classification – A senior buyer is responsible for high cost items with minor items assigned to more junior staff.
- Profit centre – This is in addition to the style of organisation discussed immediately above, but where the department becomes a supplier to the user, whose operating costs are added to the material cost for charging purposes. Cost of purchasing operation becomes self-liquidating, reducing overheads and on-costs normally charged. Detailed operating budgets and cost control are necessary.

Procurement Departmental Organisation

At departmental level, the number of people employed, the volume and variety of goods and services purchased, the ability and authority of the department head, the capabilities of the people employed, and the importance of the supply function to the operation of the organisation concerned are among the factors that will affect the decision on the structure of the organisation (see Figure 3, 4 and 5).

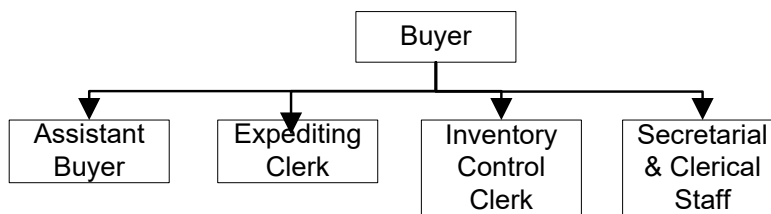


Figure 2 Typical small purchasing department structure; Source: Baily, et al. (2008)

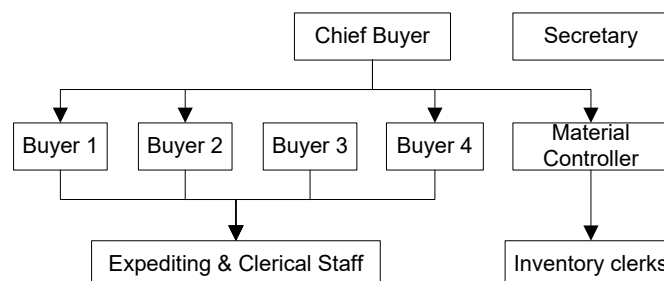


Figure 3 A medium-sized departmental structure; Source: Baily, et al. (2015)

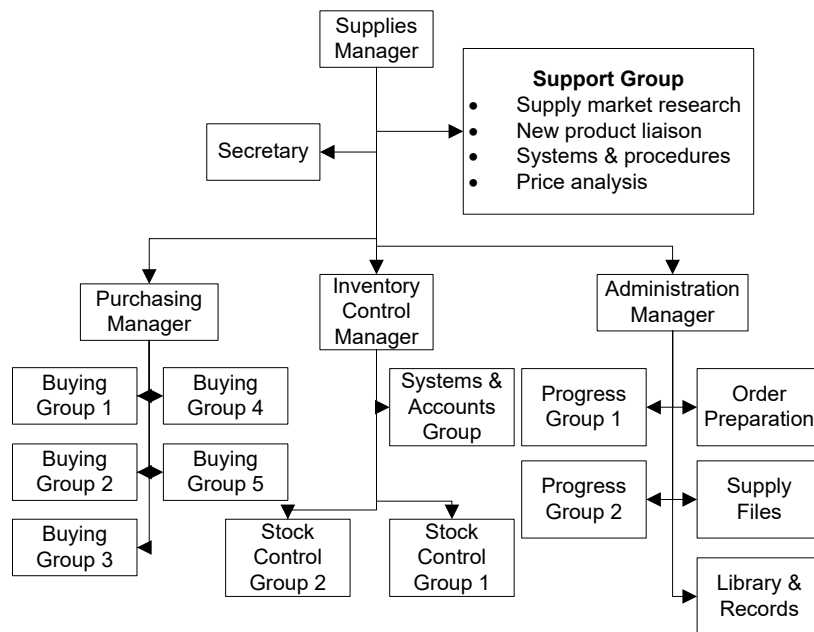


Figure 4 A departmental organisation in a large enterprise; Source: Baily, et al. (2015)

Strategic Considerations in relation to Procurement for FM Services

The procurement of goods and services is a key management function to ensure that goods and services are provided with competitive price and service so that they add value to the organisation's core business. Therefore, the choice, planning and how the procurement activities are implemented are critical in efficient financial management.

Any procurement activity must be based around a sound understanding of most organisations' strategic considerations, including:

- The extent to which services are to be provided by contractors/suppliers rather than by in-house staff.
- The scope/nature of the service provided.
- The capability of the wider market to satisfy the service requirement.

Purchasing in the Organisation Structure

The purchasing function in some cases may not be significant and will be placed in a subordinate position in the hierarchy. On the other hand, when the size of the purchase expenditure relative to the corporate turnover is significant, or when key supplies are obtained from volatile markets, or when the proportion of the cost of a product which is bought in is significant, a very senior executive is appointed to control the function.

1.1.2.2 Supply Chain Management

Supply chain management involves the co-ordinated flow of materials and services and services from the original sources through suppliers into and through the

organisation and finally on to the consumer in such a way as to maximise value added, minimise cost and providing associated flows of information and funds.

The supply chain includes all those involved in organising and converting materials through the input stages (e.g. raw materials), conversion phase (e.g. work-in-progress) and outputs (e.g. finished products). The cycle is usually repeated many times in the cycle from the initial producer to the ultimate customer. One organisation's finished good is another's input.

Primary and Support Supply Chains

The primary supply chains are those that provide the goods and services to the ultimate customer, for example:

Raw materials → components → sub-assemblies → finished product → customer

Supply chains are regarded as those that supply consumables or maintenance, repair and operating items and capital items to support the above activity.

Supply Chain Concept

Supply chain management is concerned with linking the immediate seller/buyer relationship into a longer series of events. A company's suppliers have their own suppliers, and often the direct customers are not the end users. Supply chain management sees the various buyers and sellers as being part of a continuum, and recognises the benefit to be derived from trying to take a strategic and integrated view of the chain, rather than focusing on the individual links and thereby sub-optimising. Managerial attention is therefore focused not just on the individual company, but the interactions between the series of organisations that constitute the chain.

Improving the Efficiency of the Supply Chain

Convergence and Divergence in the Supply Chain

Most materials diverge from a single stream from origin of their source and converge on the finished product. For example, Copper ore might eventually become one of the millions of items that are made from this metal, or one of its alloys. If we start with a final product, say a sewing machine, we see convergence. Different types of metals, plastics, electrical and mechanical components converge at this product. While each individual component might, at least in some cases have their own supply chain, once assembly or sub-assembly begins, then there is convergence.

Best Practices in Strategic Supply Management

The following best practices are suggested for a fully developed purchasing function:

- Identify and work with key suppliers
- Develop transparency and openness
- Align systems with the organisation's strategies
- Able to work on mutual goals

- Forge partnerships wherever possible
- Use complementary competences
- Employ dedicated complementary resources and assets
- Adopt appropriate technology
- Use appropriate e-technology systems
- Share competences and resources
- Establish common language
- Emphasise mutual benefits
- Empower individuals
- Focus on customer needs
- Pursue and eliminate waste
- Consider core and non-core business issues for outsourcing
- Build knowledge base
- Be responsible, and be ready to change

1.1.2.3 PUBLIC SECTOR PROCUREMENT

Current initiatives and policies such as market testing, contracting out, public-private partnership and partnering all affect how equipment, goods and services are procured by the government agencies and the public sector in Singapore. They lead the approach to the market, the preparation of specification and the evaluation of the most economically beneficial tender followed by pertinent relationships in order to meet the requirement.

Public Accountability

This is for the good of the public at large and the expenditure incurred is in fact from taxpayers' money. Public sector clients are accountable to the public taxpayers, including disappointed tenderers and potential suppliers. They must establish procedures and practices which will stand up either to scrutiny during government audits or to the strict regulations of any public purchasing decision made. The primary purpose of public accountability is to prevent abuses of taxpayers' money.

General Principles of Government Procurement

The general approach on public sector procurement is summarised as follows:

- Purchasing should be based on value for money.
- Competition should be used to acquire goods or services (unless there are convincing reasons to the contrary).
- There should be clear definition of the roles and responsibilities of the personnel involved in specifying the purchasing need, giving financial authority, and making procurement commitments.
- There should be separation of the financial authority from the purchasing authority.
- There should be separation of duties between personnel, who make the contracts, and those who receive the goods and services, as well as those who authorise payments.

Value for Money

Purchasing decisions on government procurement must be made based on the 'value for money' criteria, and not based on 'the lowest price'. Factors to be considered include:

- Life cycle costs of the goods or services;
- Status and standing of the suppliers/contractors;
- Details of the equipment, goods or services offered;
- Financial aspects including payment terms, basis of how the contractual price is established, transport, etc.;
- Operating costs;
- Support throughout the life span; and
- Assistance with disposal, etc.

According to Behan (1994), the real value for money question is 'How much will the item or service purchased cost to own and use?'³ Targeting value for money in the public sector is best achieved through 'best value' focused contractor selection.

But Palaneeswaran (et al. 2003) points out that the best value concept is ambiguous and there may not be an agreed definition for 'best value'⁴ as shown in Figure 6. When selecting a 'best value' proposal. The public clients should carefully balance the procurement objectives and 'value for money' within the constraints of public procurement principles and governing rules/regulations in a public accountability framework.

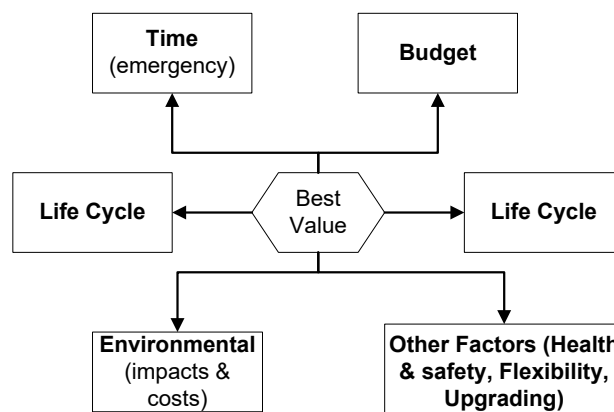


Figure 5 Variables contributing to the Best Value concept; Source: Baily, et al. (2015)

³ Behan, P. (1994). *Purchasing in Government*, Ascot: Longman, in association with the UK Civil Service College, in Baily, P., Farmer, D., Crocker, B., Jessop, D. & Jones, D. (2008). *Procurement Principles and Management*, 10th ed., Edinburgh Gate, Harlow, and Essex: Pearson Education Limited.

⁴ Palaneeswaran, E., Kumaraswamy, M. & Ng, T. (2003). 'Targeting optimum value in public sector projects through "best value" focused contractor selection, *Engineering, Construction and Architectural Management*, 10 (6).

Procurement of equipment, goods and services for the government and the public sector is generally complex because:

- There is a need to ensure best value for money on behalf of the taxpayer.
- There is a need to ensure that the process to achieve this is fair, transparent and open to scrutiny.
- There is considerable pressure to make cost savings especially in the light of reducing budgets.
- There is a need to use some or all of the best practice procurement philosophies.
- Many observers will comment that procurement in the public sector is all about following procedures, at the expense of innovation and improvements in cost performance (in line with best commercial practice).

Professionalism in Public Sector Procurement

In order to ensure public accountability while gaining optimum use of best commercial practice, there is a need for professional training and education of those personnel responsible for the strategic direction and practical application of procurement action. Professionalism can only come from a full understanding of all the issues involved, a sound knowledge of legal and commercial aspects, and the confidence to make decisions that effectively balance the above issues.

Government Procurement Practices in Singapore

Government Procurement Framework

Government Procurement involves the acquisition of goods and services by Ministries, Departments, Organs of State and Statutory Boards. The Ministry of Finance (MOF) is responsible for the Government Procurement (GP) policy framework which governs how Government agencies conduct their procurement processes within the GP framework. The key principles governing GP are:

- (a) **Transparency:** The Government maintains an open and transparent procurement system and its procurement requirements, procedures and evaluation criteria for quotations and tenders are published openly on the Government Electronic Business (GeBIZ) portal.
- (b) **Open and Fair Competition:** The Government encourages suppliers to give their best offers in an open and competitive environment. Suppliers are given equitable opportunities and access to compete on a level playing field. All suppliers will be treated fairly and given the same information to prepare their bids.
- (c) **Value for Money:** The Singapore Government procures from sources that can best meet its requirements and which offer the best value. Value for money is derived from the optimal balance of benefits and costs based on the total cost of ownership. Therefore, value for money does not necessarily mean the lowest price or that a tender or quotation must be awarded to the lowest bidder.

The Auditor-General's Office (AGO) will carry out regular audits on government agencies' compliance with MOF's policies and rules. These audits cover the proper accounting of public money and use of public resources, in order to ensure public accountability. To ensure proper accountability of the use of public money and resources, the procurement process requires approvals at key junctures and the segregation of key procurement roles and responsibilities to ensure there are checks and balances in the system.

What does the public sector buy?

What the public sector buys is basically classified into goods, services and construction services.

1. Goods

- These include all materials, manufactured items, consumables and non-consumables.

2. Services

- These include work of cleaning, maintaining, repairing, overhauling and testing of any goods.
- Services also include consultancy, advice, and/or the dissemination of other information in any form or manner.
- Services here exclude construction services.

3. Construction services

- Include construction and construction-related engineering projects, renovation and maintenance works on buildings or permanent structures.
- Also include the installation and maintenance of electrical and mechanical facilities in buildings or permanent structures.

How Public Sector in Singapore buy Goods and Services?

For the public sector, Singapore, the procurement process requires approvals to be sought at key stages. Key procurement roles and responsibilities must also be separated to ensure there are checks and balances in the system.

The Government procurement process can be broadly broken down into the following stages:

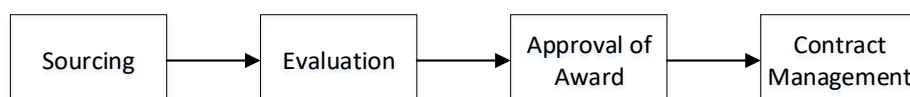


Figure 6 Government Procurement Process

Sourcing – Procurement Approaches

The need for any intended purchase has to be approved by the relevant approving authority before the procurement process can start. Depending on the estimated

value of the purchase, the procurement procedure or approach adopted could be in any one of the following:

1. **Small value purchases** – For an estimated procurement value up to S\$6,000 for direct purchase or off-the-shelf provided the prices are assessed to be reasonable. Methods of sourcing include verbal or written quotes, off the shelf purchase and GeBIZ Mall Catalogues.
2. **Quotations** – For an estimated procurement value not exceeding S\$90,000. Quotations are posted openly on the Government e-Business (GeBIZ) website, the Singapore Government's one-stop business centre where suppliers can transact electronically with all public sector agencies. Methods of sourcing include Invitation to Quote (ITQ), Request for Quotation (RFQ), period contracts and framework agreements. Period contracts (or term contracts) are used when goods and services (and associated unit prices) are fixed through the contractual period. Framework agreements are used when there are certain items in the contract that may be subject to price fluctuations. When necessary, government clients would obtain quotations through RFQs from all capable contracted suppliers and award to the selected supplier after evaluating their bids. ITQs can either take form of an open ITQ or Limited ITQ (where one or a few suppliers are invited to bid according to specified requirements). Both period contracts and framework agreements are examples of Demand Aggregation (DA) contracts.
3. **Tenders** – For value above S\$90,000. Tenders are also required to be posted openly on the GeBIZ website. There are 3 types of tenders: Open, Selective or Limited.
 - a. **Open Tenders**
A tender notice will be posted on the GeBIZ website inviting any supplier who may be interested to bid based on the requirements specified. As a default, the Government calls for open tenders to ensure transparency and fair competition, as well as to derive the best public value through open competition. The sourcing methods used for Open Tender include Invitation to Tender (ITT), Request for Proposal (RFP), period contracts and framework agreements.
 - b. **Selective Tenders**
Selective tenders are used for more complicated purchases that have sophisticated requirements. The sourcing methods used for Selective Tender include a prequalification exercise followed by Tender (ITT) for qualified suppliers. This procedure has 2 stages:
 - Applicants are shortlisted based on their capabilities via an open pre-qualification exercise.
 - The shortlisted applicants are then invited to submit their tenders.
 - c. **Limited Tenders**
Such tenders are by invitation only, and may be open to one supplier or a few suppliers. Limited tenders are used where the project is concerned with national security, or when it is not feasible or practical to call for open tenders, for example, for reasons of intellectual property rights or for works of art.
4. **Innovative Procurement Partnership** - Government agencies can use this method

to procure innovative solutions. Appropriate for innovative solutions which requires pilot testing before wider deployment, this method involves the award of contracts to cover the pilot phase and an option for the deployment phase through a one-time scale-up of the innovative solution within a defined period. The advantages of this method are as follows:

- No need to show track record by default, to improve accessibility for businesses
- Businesses can share risks during the pilot phase by removing security deposits and the provision for liquidated damages by default
- More opportunities to deploy innovative solutions widely when pilots are successful

5. **Tender Lite (Sub-category of Tender)** – Applicable for contracts with an estimated procurement value not exceeding S\$1 million, this method covers new tender opportunities called from end April 2024 (for general goods and services), and from May 2025 (for construction). This approach will be implemented by the Ministry of Finance for ICT contracts in phases from the second half of 2025.

It may also be useful to take note that a Request for Information (RFI) is a form of market testing and pre-tender collaboration method used by government agencies to collect written information about market capabilities and practices. Although a response from a contractor/supplier to a RFI is not considered an offer and hence no award is made, the response can help agencies understand what contractor/supplier are able to offer. It may also be used to help government agencies formulate their requirements in subsequent tenders and quotations.

Government agencies can consider different procurement approaches for different buys. For example, as an alternative to traditional procurement, agencies may consider entering into Public Private Partnerships (PPPs) (to be covered in details under Study Unit 3) to leverage on private sector financing and expertise. Information on the Government's procurement opportunities and even business opportunities with foreign governments can be found openly at the GeBIZ website. PPP is one of the possible procurement approaches for new development projects that are estimated at more than \$50 million. Nevertheless, projects below \$50 million can also be considered for PPP, depending on the nature of the project and the ability of PPP to deliver value for money⁵.

⁵ Ministry of Finance website: Ask MOF – Procurement. Retrieved from: https://www.ifaq.gov.sg/mof/apps/fcd_faqlmain.aspx?qst=hRhkP9BzcBImsx2TBssMsxu7lqt6UJK70a1wAEVmydmntnl%2FAOIN2tQRU4ZLpZlgE5B%2FtUOWfkV%2F05tBMT2iM%2Bk%2FPAF8LWw2e3c8436dh5mseztq24wt31l088IqrJCij4xrmnlFmyuVkNwuL5TCWfooeFMtuIbxseSZ5g3uan%2F%2BmRWZ9Nq3Na2d%2FsavCclsiUctowKrG2RWWPJkOlvyo%2B3jD9eqwe54tVCXGafgQ%3D#FAQ_1480

All public agencies are expected to achieve value for money in their respective procurement. However, from a strategic standpoint, The Ministry of Finance (MOF) adopts various policies that are intended to help the public sector achieve greater value for the government as a whole. These include demand aggregation, e-procurement system, Best Sourcing Initiative (e.g. outsourcing and in-sourcing), Centre for Shared Services, Public-Private Partnerships and other related MOF budgetary and procurement policies.

The Government Procurement Regulations 2014 spell out the rules concerning the use of open and selective tendering, negotiations and limited tendering, electronic auctions, and the receipt, opening and treatment of tenders.

Procurement Opportunities

All quotations and tenders (Open and Selective) can be found on the GeBIZ website. GeBIZ also provides information on tender schedules of bids received and tender awards, and business opportunities with foreign governments are made available to interested suppliers/contractors who must:

- Sign up as a GeBIZ Trading Partner, and/or
- Sign up as an Expenditure and Procurement Policies Unit (EPPU) Supplier or as a Building and Construction Authority (BCA) Supplier.

What is the difference between a GeBIZ Trading Partner and an EPPU or BCA Supplier?

A GeBIZ Trading Partner can transact on the GeBIZ website. The trading account will allow the partner to respond to all business opportunities offered (quotations and tenders) on GeBIZ. In some cases, the tender will require the partner to be a supplier registered with the Expenditure and Procurement Policies Unit (EPPU) or with the Building & Construction Authority (BCA). **On the other hand, the EPPU is the Expenditure and Procurement Policies Unit that takes charge of evaluating whether suppliers of goods and services have sufficient financial resources to undertake Government contracts.**

Table 2 Difference between a GeBIZ Trading Partner and an EPPU or BCA supplier; Source: MOF (2011)

	Required to be a GeBIZ Trading Partner	Required to be an EPPU-Registered Supplier	Required to be a BCA-Registered Supplier
Quotations	√		
Tenders for goods or services	√	√	
Tenders for construction services	√		√

1.1.2.4 OUTSOURCING

Outsourcing is concerned with the external provision of functional activity, and therefore outsourcing decisions are strategic in nature. It is essentially, contracting out of non-core activities. They impact upon the nature and scope of the organisation. As such, outsourcing decisions involve top management. The consideration of outsourcing depends on many variables, including:

- Do we have candidate functions for outsourcing?
- How do we select?
- How do we assess ourselves?
- Who are the potential providers?
- What sort of relationship do we form?
- How will we manage it?
- How do we ensure efficiency?

Best Practice –Team Approach

The success of an outsourcing project depends on the creation of an effective team that provides a pool of talent and represents all the stakeholders. Key performance indicators (KPI) relating to quality, speed, flexibility, reliability and cost frequently form the basis of continuous improvement plans. They provide a measurement system for management to gauge the effectiveness of the outsourcing decision. They also help to raise expectations over time, to meet tough, new business goals, stretch service performance and improve business growth.

Best Practice – Drivers of Outsourcing

- Outsource where others can do it better
- Outsource to focus on core business
- Outsource to reduce cost base

Why Outsource?

- External supplier can better capability and efficiency.
- External supplier has greater or more appropriate capacity.
- Freeing resources for other purposes.
- Reduce operating costs.
- Infusion of cash by selling asset to service provider.
- Lack of internal resource.
- Desire to focus more tightly on core business.
- Economies of scale.

Most Important Contributors to Success of Outsourcing

- The activity well defined.
- The roles and responsibilities of all parties are clear.
- Good relationship with supplier – normally leads to providing services on a continuous basis. Changes need to be managed, like rewarding good performance, sharing risk and reward, and perceiving the contractor as a potential partner.
- High quality of supplier.

- Effective contract management/monitoring – buyers need to carry out better planning and post-contract management.
- Considering of potential exit strategies.

Outsourcing for Facilities Management Projects

Contracted-out versus in-house service provision

In deciding whether service provision is to be delivered in-house or by a contractor, the facilities manager should focus on keeping what the organisation considers to be its core business activities in-house, and contracting out non-core business.

Generally, in-house facilities management departments have traditionally been seen as being uncompetitive and inefficient, according to Booty (2006, p194)⁶. The perception arises from a number of reasons:

- Poor communication – facilities managers are notorious for not telling their customers how good they are (and for having any performance statistics to prove it).
- Over-provision – It is easy for the in-house team to side-track into providing more than what is required under their service level agreement (SLA), if there is one, thus adding to operating costs.
- Organic growth – Many facilities management departments have grown organically with the parent organisation. As a result, procedures that worked efficiently in a 100-person environment are struggling to cope when the headcount reaches 500.

Scope of services to be provided in FM for procurement needs

Before initiating any procurement activity, firms should ensure they have a thorough understanding of the scope and nature of the service required. This will enable an appropriate buying strategy to be put in place. The strategy adopted is likely to vary depending on whether the service required is:

- A single service (cleaning, catering, etc.).
- Individual project work may be let out depending on the procurement objectives relating to the specific project.
- A group or 'bundle' of services (emphasis on mutual compatibility of the services to be provided; thus it is common to find building fabric, services and grounds maintenance bundled together).
- A 'total facilities management package' whereby services across the main facilities management sub-classifications are supplied by one provider under a single contract. For example, a single management contractor may be appointed to manage the entire maintenance requirements of a client. Clients' resources will not be taxed significantly as a result, and the benefits of outsourcing can be fully realised. With this approach, the management contractor can suitably package,

⁶ Booty, F. (2006). *Facilities Management Handbook*, 3rd ed., Oxford: Butterworth-Heinemann.

procure and manage individual sections of maintenance work on behalf of the client.

1.1.2.5 INVENTORY MANAGEMENT

Holding inventory costs money and reduces the profit margin. That inventory is designed to support production and service operations. While it is necessary to maintain some level of inventory in order to provide continuity of service and to avoid costly downtime or service disruption and non-availability, inventory reduction can lead to the release of cash and reduced operating costs.

Regular requirements are bought either for stock, or for direct use in operations or production. Part of the stock or production planning is to calculate what quantities are needed and when they are needed to meet requirements for stock or for production. For each item stocked, decisions are needed as to the size of the requirement, the time at which further supplies should be ordered, and the quantity which should be ordered. The quantities required can be aggregated and subdivided in various ways, and the quantity notified to the procurement department as required is not necessarily the same as the quantity the procurement department orders from suppliers.

Ordering policies used by procurement include blanket orders, capacity booking orders, period contracts, spot contracts, futures contracts and economic order quantity, etc.

1.1.2.6 QUALITY MANAGEMENT

Product or service quality is increasingly seen as a 'qualifier' which must be demonstrated and attained before a supplier merits consideration. Unless specifications can be understood and consistently met, a potential supplier is unlikely to win business from a buying organisation taking a professional view of the need to do business with vendors, who are able to respond to the particular needs of customers. Some key issues include:

Performance Quality and Conformance Quality

Supplies staff are concerned with quality from two points of view:

1. Quality of design or specification. Has the right material been specified for the job, and the requirements communicated to the supplier in a clear and unambiguous way? This is performance quality.
2. Conformance quality. Has the supplier provided materials in accordance with the specification?

Issues concerning the preparation of specifications, standardisation and early supplier involvement will be covered under Study Unit 4.

Quality Control and Quality Assurance

Inspection activities can be classified as quality control processes, along with the other activities that involve monitoring to ensure that defectives (or potential defects) are spotted. Quality assurance includes all activities concerned with the achievement of quality, such as:

- Design, including proving and testing
- Specification, which must be clear and unambiguous
- Assessment of suppliers, to ensure that they can perform
- Motivation of all concerned
- Education and training of supplies staff
- Inspection and testing
- Feedback to ensure that all measures are effective

Total Quality Management

The 'total quality' philosophy is based on the active involvement of all concerned in the procurement process. Attention is paid to systems procedures and processes rather than the goods or services. Total quality in the supply chain would mean that suppliers as well as customers and the company's own workforce, would be in determining quality. Inspection and supplier assessment are superseded by a shared approach to the elimination of defective work, with the emphasis on prevention rather than corrective action.

1.1.2.7 TIMING

Time has been a recognised variable, and the need to minimise time as waste in the supply chain has led to an increased concern with time and delivery responsiveness. Attention is being paid to the benefits which might arise from increasing responsiveness at all stages or lead times (say, from pre-order planning to procurement, supplier response, production, warehouse, transit, receivers, payment, etc.).

The achievement of delivery on time is a standard procurement objective. If goods and materials arrive late or work is not completed at the right time, sales may be lost, production halted, and damages clauses may be invoked by dissatisfied customers. In addition, most companies regard cash as committed once an order had been placed; failure to achieve supply on time may slow down the cash-to-cash cycle, thus reducing the organisation's efficiency or profitability.

The first step to obtaining delivery time is to decide firmly and precisely what is required and when it is required when considering also the supplier lead times and the market realities. The supply lead time is the total of all the lead times excluding the payment lead times. Procurement should work on the problem of getting shorter

lead times and reliable suppliers, and should let the relevant departments know what they are. It is important to ensure that suppliers know and are fully aware that on-time delivery is a vital element in their marketing mix. If the due dates specified on orders or call-offs are correct, it is easy to measure and record supplier success or failure in delivering on time, and to tell suppliers how well they are doing. In the case of suppliers making regular deliveries, a simple way to assess delivery performance is the percentage of deliveries in each review period which were behind schedule.

Liquidated damages seek compensation for the buyer for the late delivery of an order. This is a sum agreed between the parties to represent a realistic pre-estimate of loss. Penalties may be in addition to damages, although the supplier's liability is limited.

1.1.2.8 SOURCING STRATEGIES AND RELATIONSHIPS

It would be possible to argue that the most important procurement decision made is concerned with selecting the right sources of supply. Effective source decisions will only be made when all relevant factors have been considered and weighed against the risks and opportunities which apply. Major purchases will always require careful decision making. Buying organisations that dominate the demand side of the market need to spend a good deal of thought to the optimum supply market structure, and sometimes take direct action to develop new suppliers or support minor competitors.

In order to obtain the greatest benefits from longer-term relationships, the buying company must seek to develop a mutual relationship like partnership sourcing. Sourcing involves continuous relationships, both with preferred sources which are actually supplying goods and services, and with potential sources. It involves decisions about how to allocate the available business, and what terms to do business on.

For proper procurement performance, sourcing requires supply market research. This is normally carried out by buyers when they talk to representatives, visit exhibitions, read trade journals and investigate the market before placing orders. Supply market research identifies the set of actual and potential sources which constitute the supply side of the market, investigates their capabilities, examines market trends and long-term supply prospects, and generally keeps an ear to the ground.

Attributes of a Good Supplier

The suggested list of attributes may include:

- Delivers on time
- Provides consistent quality
- Gives a good price
- Has a stable background
- Provides good service back-up
- Responsible to buyer's needs

- Keeps promises
- Provides technical support
- Keeps the buyer informed on progress

Different Types of Sourcing

These include:

- Consumable supplies
- Production materials and components
- Capital purchases (e.g. machineries)
- Intellectual property (e.g. software)
- Sub-contractors
- Services

Sourcing Decisions

The traditional approach to source decision making involves the buyer organisation in:

1. Establishing what suppliers make or supply the product or service – often by referring to the buyer's guide or industrial directory;
2. Selecting a shortlist from those available;
3. Sending an enquiry to each of those selected and setting out the requirements;
4. Selecting the best supplier from those who quoted by comparing the offers; and
5. Placing the purchase order with them, specifying such matters as volume, schedule, place of delivery, price and quality required.

Major buyers even augment this procedure by a closer involvement with suppliers through say, putting great emphasis on quality management at the supplier's plants. However, this kind of an approach necessitates the use of far more resources than the traditional approach.

In order for buyers to make the right choice, they must know their markets and their suppliers well. They should visit them and talk to them and the people who process their orders and make decisions about them, to keep in touch with business plans, product developments, and what is going on inside key supply organisations. This is called demand marketing.

The Sourcing Process

1. The process usually starts with a requisition which informs procurement that something needs to be purchased.
2. The buyer would first check if there is already some commitment by long-term contract, in which case, an order could be placed immediately.
3. In the absence of such agreement, the buyer would ask if there is an existing source of supply whose performance is satisfactory.
4. If so, the usual practice is to re-order from that source unless there is a reason to review the position.

5. Reasons for reviewing the position include price increase request, failure to meet specification, unsatisfactory performance, internal pressure to save money, or simply some time had elapsed since the position was last reviewed.

Source Location

The location of potentially useful sources of supply is a major responsibility of the procurement and supply executive. While it is widely believed that there is a large pool of potential suppliers who are willing to meet the buyer's needs, the reality is often quite different. Three principal reasons why the location of suppliers might be difficult are:

1. Technological advances – The buyer's needs are becoming more complex and difficult to meet and fewer suppliers are willing to do so.
2. Increasing 'concentration' in supply markets – The continuing process of mergers and takeovers is leading the way in many industries where there are very few and very large suppliers.
3. Increased specialisation – This leads to more 'buy' than make decisions among manufacturing concerns. This in turn means that a greater proportion of their needs are acquired from outside sources.

Sources of Information on Potential Suppliers

Such sources may include:

- Reputation of the supplier through talking to professionals and colleagues
- Recorded performance from past performance
- Appraisal through a detailed investigation of potential suppliers
- Approved lists of companies
- Online catalogue library
- Online publications
- Online trade directories
- Sourcing services
- Suppliers' representatives
- Exhibitions
- Other buyers
- Agents
- Organisations promoting trade

Supplier Source Evaluation

The evaluation of the actual and potential sources is a continuous process in the procurement departments. Methods may include:

- Actual sources with which one is dealing with regularly can be evaluated largely on their track record, actual experience and even currently, relationships of working with them. This is often called vendor rating.

- Service evaluation includes after-sales service, prompt and accurate quotations, reliability, delivery times, ease of contact with persons of authority, technical advice and service, availability of test facilities, willingness to hold stocks, etc.
- Financial stability of suppliers.
- On the spot survey of facilities and personnel by technical and commercial representatives of the buying organisations to evaluate potential suppliers.
- Multi-page checklists which include questions like whether they trade with the buyer's competitors, are confidential documents properly controlled, do buyers have technical support, how long have they been established, what their investment plans are, etc.

1.1.2.9 PRICE AND TOTAL COST OF OWNERSHIP

This chapter is concerned with examining how prices and costs are determined in both the short term and long term. Some of the various factors affecting pricing and costing decisions will be looked into.

Factors affecting pricing decisions

These include:

- Competition and other market considerations – price mechanism
- Value as perceived by customers
- Cost of production
- Strategic considerations

Competition and other Market Considerations

Conventional procurement thinking held the belief that monopoly was bad and competition good, and this fact has earlier been supported by Government legislation through Acts of parliament. It is generally believed today that the so-called economies of scale are not as great as originally claimed and that responsiveness to changing customer demands makes it difficult for large organisations to be as efficient as they could. Buyers working together with suppliers can also drive out unnecessary costs throughout the supply chain, both upstream and downstream, by:

- Reducing the number of suppliers in the supply chain;
- Joint development of new products;
- Having responsive suppliers;
- Use of integrated databases; and
- Assisting key suppliers.

Product Life Cycle (Life Cycle Costing) and Pricing

This involves the costing and pricing of a product from the five cycles of development: introduction, growth, development, saturation and eventually decline. Pricing policy can vary depending on where in the product life cycle, a product has reached.

In the early stages of the life cycle, prices are often provisional and might be changed. Sales organisations may pursue policies of limiting their supply capacity in the early

stages of the life cycle so that higher prices can be charged. As the capacity and competition increase with other suppliers offering similar products, they have to move towards the much lower penetration pricing to increase market share.

Pricing the cost of production

Methods adopted include:

- Cost-based pricing which is widely used.
- Cost-plus contracts are sometimes used when the work is difficult to cost in advance, for example, when R&D work is involved. The final contract price payable is the actual cost incurred plus a fee based on an agreed percentage or lump sum, or a target fee with incentives.
- Mark-up pricing, widely used in the retail business, marks up the cost of purchase by adding a percentage to arrive at the selling price.
- Overheads are the fixed costs which a firm incurs to stay in business, e.g. rents, salaries of senior executives, etc., and can be allocated to the unit cost.

Price and Perceived Value

Another factor in pricing decision is how customers value the offer price. This may include, in addition to the product or service itself, such things as reliability, durability, good service, and prompt delivery. Perceived value is based on customer perception of relative value rather than cost.

How Buyers Obtain Prices

Several methods are used for communicating price, for example:

- A price list is made available.
- Prices are quoted on request, based on an internal price list not available to customers.
- Individual quotations based on specially prepared estimates made on request.
- Sealed bids or tenders by potential suppliers.
- Purchases are made at auction, or by reverse auction – Buyers can post invitation to bid for supplies on the Internet. The idea is usually implemented by means of reverse auction, through which suppliers meeting any criteria laid down by the buyer submit electronically their priced offers to provide goods or services to the buyer's organisation.

Discounts

The criteria for suppliers' discounts are many and can be categorised as follows:

- Prompt payment – Suppliers are prepared to offer a discount if the customer does not delay payment.
- Quantity – Suppliers use this scheme to attract customers to buy more.
- Status – usually offered based on the status of the buying organisation.
- Special discount – e.g. seasonal discounts, promotional discounts, special offers (to increase new product brand awareness), 'run out' discounts, etc.

Total Acquisition Cost and Total Cost of Ownership

This approach to costing is concerned with what the price of a product would be in the long run if the buyer or seller worked closely together and minimise unnecessary costs in the supply chain. When evaluating price, all the associated costs need to be considered. For example, questions could be asked on whether lead time or capacity problems have been allowed for, any extra support and resources devoted to suppliers, etc. What could look like a good price from a supplier could suddenly escalate if problems occur.

Acquisition costs can be defined as all the costs involved in bringing a supplier's product to the buyer's organisation. It includes not only the price and freight cost, but other costs in completing this activity, e.g. any quality or delivery problems like handling, packaging, tax, etc.

Pricing Major Contracts

When pricing major contracts involving huge sums of money and long contract periods, risk is involved and needs to be factored in. Fixed price contracts are administratively convenient to the buying organisation, but all the risk has to be taken up by the seller or supplier. Cost reimbursement contracts are administratively convenient to the seller, but most of the risk is taken by the buying organisation. Between these two extremes, there is a whole range of varied contract types, including fixed price with fluctuation, target price with incentive, cost plus fixed fee, cost plus fixed incentive fee (these are covered extensively under Study Unit 2). We also need to consider the financial cost of borrowing money and changes in exchange rates between countries entailed in transactions between different countries, etc.

1.1.2.10 CONTRACT MANAGEMENT AND PERFORMANCE MEASUREMENT

Post-contract performance measurement, commonly known as contract management, is very important if companies wish to improve value-added and minimise total costs of ownership. Contract management is defined as 'the activities of a buyer during a contract period to ensure that all parties to the contract fulfil their contractual obligations'.

An important aspect of contract management is managing the relationships between all parties in the most effective way so as to ensure the contract meets the optimum combination of cost, time and quality. Contract activities can be split into two distinct but interdependent phases: 'upstream' (pre-award), 'downstream' (post-award). Contract management is the downstream activity that can only be effective if the upstream activities are properly carried out. Contract management applies to the whole of the procurement process from a single order to complex construction or FM/event service contract.

The most important measurement of effective procurement management is that the purchasing and supply management strategy precisely and continually aligns and integrates with the organisation's corporate plan, business unit and functional

strategies. Contract management performance measures should reflect the objectives.

A performance measurement system is therefore important in managing a business as it provides information necessary for decision making and actions. Usually, a balanced scorecard approach is used. This approach aligns the company vision and values at the centre and classifies measures under the heading of Finance/shareholders; People; Processes; and customers. In a purchasing/supply context, suppliers may be included within the 'customer' category. Typical measures include:

- Finance/Shareholders
 - Cost savings
 - Percentage of corporate spending covered by contracts and managed by procurement
 - Number of suppliers
- People
 - Staff training and development, for example
- Processes
 - Time/cost to process purchase orders
 - Implementation of effective IT systems, e.g. e-procurement
 - Performance against service level agreements agreed with internal customers
- Customers/Suppliers
 - Supplier payment performance
 - Supplier quality performance measures
 - Feedback from staff survey reports, i.e. customer satisfaction surveys

Benefits of Contract Management

Post-contract management is vital. If the agreement is not regularly reviewed then the true benefits and improvements (like potential savings) in the contract will not be fully realised.

Whose Responsibility?

The question of who should be responsible for ensuring that the supplier/contractor delivers the promised goods/services and continue to deliver innovative solutions depends a lot on who owns the relationship with the supplier.

Some organisations believe procurement should work with other departments to extract the most value out of their contracts. Successful companies are those that align procurement and finance to co-ordinate policies for measuring compliance.

Buyers need to push suppliers for continuous improvement, something which managers chiefly concerned with day-to-day running of the business fail to do. Companies should build communication between all parties (the suppliers, the procurement department and the end users) through effective post contract management. It is better to help manage and improve the contract performance of

the suppliers throughout its life through satisfaction survey rather than penalising them for minor mistakes which result in poor relationships.

Examples of performance metrics

Strategic Procurement

- Total supply cycle time (response time)
- Order lead times
- Supplier lead times against industry norm
- Level of supplier's defect-free deliveries
- Delivery performance

Tactical Procurement

- Purchase order cycle time
- Supplier ability to respond to quality problems
- Supplier cost-saving initiatives

Operational

- Total inventory
- Supplier rejection rate
- Quality of delivery documentation
- Quality of delivered goods

Performance Measurement Effectiveness

The performance of the procurement function must be clearly connected to the organisation's objectives and constraints by:

- getting away from cost and process and putting the focus on outcomes, which signals that performance is about delivery;
- setting targets at levels defined by the organisation's objectives and customers, e.g. response times for queries;
- adopting the latest techniques;
- improving the quality of feedback to and from procurement; getting proper feedback on customer perceptions and educating them about the role of procurement is important;
- trading off quality against on-time delivery.

Service Level Agreement (SLA)

When drawing up contracts for services, it is crucial for buyers to define clearly what they expect of suppliers. This is often addressed in a service level agreement (SLA), which sets out what the service includes and the required standards. When drafting these types of contracts, the following areas should be covered:

1. Service requirements – Key performance indicators (KPIs) cover the level of service provided. These should be selected and set at levels so that if they are all met, the buyer will receive the services it requires.
2. Credits – The supplier may give the purchaser credits if it fails to meet the required KPIs.

3. Company buy-in – Dispute resolution measures should be in place. Typically, there should be provisions in the SLA so that problems are escalated within set periods if they cannot be resolved by staff working on the project on a day-to-day basis. Provisions relating to mediation, binding arbitration or court action may also be included.
4. Get external advice – External advisers should be used if:
 - Either party is unfamiliar with all concepts involved in the SLAs.
 - The services covered are high value.
 - The services covered are critical, core business, such as IT systems.
5. Keep it simple – Agreements that are complicated or hard to follow are likely to fail. There should be in-built control mechanism to ensure that the SLA is flexible enough to cope with the services, service levels and regular performance reports.
6. It is also necessary that the contract contains a tailored mechanism that provides incentive to the programme rather than just penalties for poor performance.
7. The agreement should also provide a mechanism for regular reviews of the service, price and strategy, and should cover the purchaser's termination rights; and the causes for breach of the agreement.
8. The performance measurement should be limited not only to operational activities, but also to tactical and strategic issues.

Management should allow for a collective approach which is aimed at grouping authority and responsibilities in ways that allow control and measurement. A department which indents for materials, stores them, purchases those materials and schedules supplies to production can be held responsible for total material performance.

Measurement Areas

Common areas for the measurement of procurement information are:

- operational procurement
- co-ordination with other functions
- procurement organisations and systems
- budget performance
- creative performance
- policy development
- planning and forecasting

Typical measures used in relation to the above include:

Price

- Prices paid against standard
- Prices paid for key items as compared with market indices
- Prices paid against budget
- Prices at the time of use against price at the time of purchase

Quantity

- Number of small-value orders
- Number of emergency orders
- Comparison of stocks and target stocks

Ethical Behaviour and Relationships with Suppliers

Allegations with suppliers have placed a focused attention on business ethics. Purchasing could not be regarded as a true profession if there is no universally accepted ethical tradition. The Chartered Institute of Purchasing and Supply publishes a Code of Conduct and Guide to Good Practice containing many references to basic ethical considerations. Examples include:

- Respect for the confidentiality of information which comes to members in the course of their work, for example, speculation in the shares of a supplier is discouraged;
- Refraining from any activity which may impair impartiality and disclosing any personal interest;
- Placing orders with a company in which there is financial interest for the buyer, or taking financial interest in a supplier;
- Observing contractual obligations as strictly as the buyer intends they should be observed;
- Refusing to accept arrangements which falsify the process of tendering and open competition;
- Ensuring that the legitimate interests of suppliers are not put at risks;
- Aiming at a mutually satisfactory relationship with suppliers rather than short-term advantage;
- Discouraging practices which lead to commercial or other corruption;
- Promoting the development of high standards of professional conduct and competence.

One of the main reasons for developing and enforcing such codes throughout the organisation is to assist the development of integrated, effective supply chains. Suppliers involved need to be reassured that:

- they are dealing with purchasing organisations that have their long-term strategic interests in mind;
- they are not going to be involved in unethical practices;
- they will get paid on time;
- they will not suddenly lose the business because the buyer is unfairly cutting prices.

Such ethics are also important for the buyers as they become involved in partnerships. Organisations such as IBM, Shell, Hewlett-Packard and other 'blue chip' companies have all well-developed ethical practices and some of the best-developed integrated supply chains.

Please read up: Baily, P., Farmer, D., Crocker, B., Jessop, D. & Jones, D. (2008). *Procurement Principles and Management*, 10th ed., Edinburgh Gate, Harlow, Essex: Pearson Education Limited. (p78-79)

1.1.3 Relationship of Cost, Quality and Time, Strategy for Selection of Contractor and Contract Procurement

1.1.3.1 Relationship of Cost, Quality and Time

From the client's perspective, the COST, QUALITY and TIME paradigm might be considered as being the highest quality, at the lowest cost, in the shortest possible time. As this is not always possible, the client needs to adjust his priorities and reach a compromise amongst these factors.

If a particular situation requires that one of these factors is given top priority, then the other two factors will carry less weight or emphasis. The decision on the priority of these factors lies with the client.

1.1.3.2 Other Considerations Influencing Choice of Procurement Strategy

When selecting a suitable procurement strategy, the client should also consider, besides cost, time and quality, other factors like:

- The construction or facilities maintenance/event production – The contractor is responsible for health and safety during the construction/production phase of the project. The extent of the roles and responsibilities of the client and the contractor depends on the nature of each project, the client's organisation and the client's obligations to take certain obligations. Items that indirectly affect a procurement strategy comprise:
 - Management of the project
 - Nature of the project and information available
 - Contractor selection procedure (tendering) and his supply chain management
 - Activities with high risks to health and safety
- Risk – The decision on the allocation of risk between the employer and the contractor/supplier can have a fundamental effect on the choice of the right tendering procedure and contract arrangement. If the client is prepared to accept increased risk, the consultants or management agent or contractor will have greater flexibility to devise a strategy based on non-traditional procedures (e.g. fixed price with tenders and specification).
- Accountability – This is closely linked with risk. Decisions made at an early stage can have a significant effect on the tendering procedures and contractual arrangements. It is necessary for the client to identify the level accountability required on the project as early as possible, and for the consultants or management agent or event organiser to explain the principles involved, so that an early decision can be made.
- The choice of which form of building contract is to be used for the project – There are many forms available to complement any chosen strategy. But choosing any particular form of contract is considered secondary to choosing a procurement route because the selected form of contract only provides the administrative through which the procurement process can be achieved.
- A key decision when selecting a procurement strategy is based on the manner in which the detailed design is progressed. For example, if a traditional procurement approach is chosen, the design team will develop the design, whereas with the design and build procurement approach, the design team may only prepare a design brief, while the contractor completes the design. Each procurement option has a different priority on time, cost and quality.

Making the Contract

The process of making the contract can be divided into 3 parts:

- Deciding on the type of contract and particular terms and conditions under which the work will be carried out.
- Selecting the contractor or supplier.
- Establishing how the contract price will be arrived at.

Types of Contracts

The client normally, with the help of professional advisers, makes the choice of the particular type of contract and the terms under which the works or service will be carried out. This choice must be made at an early stage, as it affects the way the contract documentation is prepared. For example, in traditional competitive tendering, the type of contract and the actual conditions to be used must be defined and the method of establishing the contract price must be decided before the tenders are invited. In negotiated contracts, however, these decisions can be delayed until the contractor has been appointed.

There is a wide range of contracts available, and within each general type of contract, a choice can be made on the particular terms and conditions which are most suitable to the circumstances. Information on the actual form and conditions of contract that form part of the contractual arrangements will be covered under the FEM 109 Contract Administration course.

Irrespective of whether the contract is for the provision of goods or services, or its complexity, the terms and conditions should clearly indicate the rights and obligations of both parties, and shall contain clauses such as the following:

- Clear description of goods and services to be carried out
- Duration of the contract and specific delivery dates
- Quality standards and criteria for acceptance
- Requirements on details of progress reports, timing and scope
- The price and what it includes
- Terms of payment and for allowing recovery of any money owed
- Terms concerning intellectual property rights, security, confidentiality, publicity and right of audit, etc.
- Provisions for indemnity and insurance
- Terms relating to compliance with legal obligations, for example, health and workplace safety provisions
- Termination clause in the event of a default by the supplier / contractor
- The customer's right to break the contract, with the obligation to give written notice and pay for work done, even in the absence of any breach on the part of the contractor

- A term to prevent the contractor from transferring the contract for completion by a third party
- A term which describes when ownership and risk passes to the client
- A term stipulating which law governs the contract
- An arbitration or dispute resolution clause

1.1.3.3 Selection of the Contractor

The selection of the contractor/supplier and determining how the contract price is arrived at, may be combined in a single operation or they may be in two separate processes.

The aim of any **tendering procedure** is to select a suitable contractor and to obtain from him an acceptable tender / offer upon which a contract can be let.

While the tender must take into account the contractual terms under which the work will be performed, the tendering procedure does not depend on the type of contract to be used. The *contractual arrangements* are made up of the contract conditions which have the same significance as the contract drawings and the schedule of prices.

The types of tendering systems will be dealt with extensively under Study Unit 3.

Establishing Price and Time

Both price and time alone may not be the only factors to be considered in situations where the contractor is partly or wholly responsible for the design; or where circumstances that require the construction to start before the design has been completed.

A tender (essentially an offer) quotes not just a price, but also a standard of quality and timeframe within which the work will be completed. As the aim of tendering may not be catered for just one job; it may be necessary to consider the tender in terms of a total programme (for example, the bundling of cleaning and security services in total facilities management) of which the job is just one project.

1.1.4 Basic Concepts to be considered in Contractor Selection

The factors to be considered when selecting a suitable contractor/supplier and the type of contracts include:

1. economic use of resources including labour, materials, plant and capital
2. contractor's contribution in terms of the design and speed of construction
3. incentives to make and control construction cost savings
4. continuity of work
5. risk and accountability faced by all stakeholders

Economic use of resources

The first priority in tendering is to ensure the most economic use of the resources to meet the client's needs, and then to make sure that the cost for those resources is as low as is reasonably possible. This factor is becoming more difficult to assess today than in the past; especially with changing or emerging technologies and regulations.

Labour

A tight labour market coupled with tighter manpower regulations in the labour-intensive industry will lead to high prices. The contractor may consider whether there is a need to shift from site-based to factory-based labour (e.g. prefabrication) if the quantity of work justifies its use.

Materials

The use of new materials, availability, bulk purchasing, special relationships between contractors and suppliers and special discounts should be considered. Life cycle studies have shown that increased investment in quality of construction can reduce maintenance and replacement costs during the building's life span.

Plant

A balance has to be struck between the use of large factory-made components requiring extensive equipment and facilities with hard access, but with a consequent saving in site labour, and the use of small units, with minimum site plant requirements. Continuity, or the lack of it, has a significant effect on the use of expensive plant items and the economics of production.

Capital

Cash flow is critical to most contracting organisations because contractors need to keep loan charges to a minimum and can significantly affect their tenders. While the need to keep the percentages of retention monies to a minimum, prompt payments and reimbursement of fluctuations in the prices of labour and materials can help ease contractors' cash flow problems, the client still needs to draw a balance between maintaining a reasonable retention fund and easing the contractor's cash flow.

However, it is more important for the contractor to have the management expertise to manage and deliver the project on time based on the master plan in practical terms. Extensively making use of pre-tender interviews with prospective contractors is critically important.

Contractor's contribution to design and contract programme

The contractor in some cases is expected to contribute towards improving the design, speeding up construction and using fewer resources to produce a more economical outcome. Generally, contractors are not willing to accept design responsibilities of specialist work done by sub-contractors.

Event production differs from building works as the contractor or the events management company is responsible for both the event production and the proposed theme/design.

While designers can benefit from cost planning techniques to help them develop the design economically, it is not possible for the design team to know the best way in which the contractor's resources can be used to support the design by improving the productivity in terms of cost and speed, especially when a proprietary system is used. It is necessary to consider during the pre-tender stage, whether a contractor has a contribution to make where design and construction can mutually support each other.

Production cost savings

Production methods in both the construction-related and events related sectors are frequently limited by design and hence, cost savings are confined to more productive methods of producing to a given design. But while design alteration is possible to promote cost savings, the designer is discouraged from doing so due to legal liability. Hackett et al. (2007, p33) suggest that using a proper value management exercise, carried out during appropriate stages of design or construction can improve cost savings.

Where cost savings is considered to be an important part of the procurement, special arrangements may have to be made, including providing the incentive for the contractor to do so.

Continuity of work in all aspects

The client can benefit from continuity of activity which can be an important way in which production and management resources can be economically used, provided that the tendering procedures are right. The building industry faces a unique problem in relation to providing continuity of work as each building is located on a different location, and the requirements of users and clients vary as well.

Since a longer time is taken to carry out a task for the first time, savings are usually realised the second time and subsequent times. When a one-off situation in management and production is repeated again, lessons can be learnt from such optimum situations to maximise use of production resources through careful planning.

If continuity of work is expected from a particular contractor, this should be considered as a criteria for selecting the appropriate tendering procedures instead of using normal competition since the client can also benefit from the contractor's production savings. Examples of contracts adopted to achieve this benefit include serial contracting and term contracts.

Risk

Risk is a factor which depends on its nature and the client's circumstances.

A building owner (aside from the design team) usually takes on a considerable risk after commissioning a building while the contractor never takes the total risk. The procurement process should take into account how much risk it is appropriate for the contractor to bear.

Most events also carry a significant risk to the safety of participants. Financial risk is also important to events management companies as huge expenditure is required over a very short period of time with high levels of uncertainty about revenue and profit. Time invested by non-profit organisations can also be wasted and objectives not achieved in the case of voluntary and charitable events.

While it is usually beneficial for small companies to pass the risk to an insurance company at the expense of a premium, our Government does not pay premiums to insurance companies to take the risk of destruction by fire of public buildings. This is a good practice in terms of accountability for public money.

Another common area of risk involves price fluctuation of labour and materials, with the question as to which contractual party should bear the risk.

Accountability

Accountability arises whenever one party (e.g. the agent) carried out the work on behalf of another (the principal or employer). The agent (e.g. facilities managing agent) must account to the principal for the actions he takes. The level of accountability depends upon the principal's original brief and the degree and authority delegated to the agent. In the procurement of building services and facilities, that authority and responsibility lies within the framework of established principles, with appropriate priority being given to cost, quality and time. In the context of events management, the appropriate priority is given to the budget, the time frame and requirements set by the client's brief. The problem, particularly with public building and services, is to identify whether or not there will be a saving in resources in relation to the way the contractor is chosen.

If a procurement method like the Public Private Partnership is used, it has become more important to be able to show how value for money has been obtained.

Constraints through regulations and procedures have been imposed upon public servants to avoid corruption but this may work against the concept of value for money. Strict adherence to financial regulations for the sake of public accountability can still result in poor value for money. To prevent such waste, steps must be taken to ensure the optimum use of contemporary procurement and production techniques using efficient value management and risk management.

The problem can be addressed by the following methods:

- **Contract documentation** – With the large amounts involved in the work, and the likelihood that money used can be more easily misappropriated, proper contract documentation, vital to achieve value for money, may be complex and technical.
- **Proper price** – Clients should be given the assurance that they are getting value for money or paying the proper price for a project even though it may not be possible to determine the final price at the time of the signing of the contract. Where tenders are sought on a competitive basis with full contract documentation, the lowest price is normally being accepted as the proper price for the work since all tenders are priced based on information shown in plan and specification or design and build contracts), it can be more difficult to convince the client that the proper price is being paid, because the precise specification may not be clear at the tender stage.
- **Doing away with competition** – There are times, and for a number of reasons, when the use of competitive tendering is not possible, or will not lead to value for money. The agent will then have to convince the principal or client by justifying his professional judgement.

Where a contractor is selected on a basis other than equal competition, the contract sum or pricing mechanism must be negotiated and the matter becomes even more complex, especially if full documentation is not available. Not only does the selection of the contractor have to be justified, the concept of the proper price, or value for money, has to be shown. In such a situation, documentation is vital. Depending on the time and information available, a system must be set up to allow a contract sum to be calculated but will also establish a pricing structure for the assessment of interim payments and variations where appropriate.

Negotiated contracts, by their very nature, often involve uncertainty, and the agent has the responsibility to the principal to explain or justify the professional judgement that has led to the method of procurement recommended. In the public sector, it can be difficult to make a convincing case when accounting for the decisions is being made.

- **Inflation** – In times of rising inflation, it is common for clients to bring forward the commencement of the building in order that an earlier price level may be obtained to beat inflation. Depending on his circumstances and the use to which his money is put in the meantime, the private client may benefit from this real saving. But to government ministries and public sector clients, whose concerns are the resources devoted to building, there is no cost saving as inflation affects both sides of the balance sheet. But this fact, has to be weighed against other factors at that point of time like the public finance accounting procedures and

the way public sector clients arrange their annual financial allocations, may well favour such expenditure in the early parts of the financial year.

- **Value for money**

Value for money, as a concept, may be defined as achieving the optimum use of resources – money, manpower, time, materials and plant, each of which must be regarded as being equally important.

The concept of value for money has now widened beyond that of obtaining the best use of resources on site (usually by acceptance of the lowest tender) to account for the whole life cost of a project from initial procurement, through design and construction/installation, to facilities maintenance and cost in use and perhaps, the cost of demolition in order that the best use/returns can accrue over the life span of the building. With this change in definition, the emphasis is now placed on popular terms like 'life cycle costing' or 'whole life cost' and value engineering defining value as 'the optimum balance of time, quality and cost'.

In fact, value for money, one of 3 key principles of the Singapore Government Procurement (GP) framework for all Ministries, Departments, Organs of State and Statutory Boards, acquiring goods, services (including event-related services) and construction services⁷. Value for money is derived from "the optimal balance of benefits and costs on the basis of total cost of ownership". As such, value for money does not necessarily mean that a tender must be awarded to the lowest bidder.

1.2 Roles played by parties and stakeholders

1.2.1 Parties Involved in the Events Industry and the Facilities Management and Construction Industry

For the events industry, the submission of a bid for a major event is sometimes prepared collaboratively by or involves a range of partners, which may include the client, sponsors, donors, providers of event goods and services, marketing companies, trade associations, venue providers, convention/event bureaus and associations, tourism and hospitality partners (airlines, hotels), Government bodies and voluntary organisations.

⁷ Ministry of Finance website: Government Procurement, retrieved from: http://app.mof.gov.sg/government_procurement.aspx

1.2.1.1 Parties Involved in the Events Industry

Introduction

The events business is concerned with the provision of a wide range of activities including entertainment, refreshment and equipment and other interlinked activities with differing scales. While the basic type of events may need such activities, but for the larger and more elaborate events may need a greater extent of technical and logistic support. The support can come from both the private and public sectors. As needs and demands get increasingly complex, a higher standard of organisation is required for large scale events, and many related specialist businesses have grown to service these needs.

Typically, these companies either package and provide their services or provide one element of the service needed by the event organiser or client, who may wish to do the rest for themselves.

In contrast to many industries, the event business is not entirely driven by the need to make money. The event business, in fact, also involves a very large element of personal, voluntary, charitable and philanthropic activity for all kinds of organisations and individuals for the mutual benefit of all concerned. The social benefits of this approach are very considerable in Singapore in promoting social integration, community contribution, friendship and good neighbourliness.

The Structure of Events Industry

There are six main stakeholders involved in the structure of events industry, namely the client, the contractors/suppliers, sponsors, external regulatory bodies, media and the event participants.

CLIENTS

Clients constantly need to keep track of the event's budget and its return on investment. The challenge is to provide a fair and effective distribution of the budget for all areas of event management (from operations and logistics to planning, administration and marketing) in order to give the client value for money. Client can be classified as public sector clients and private sector clients.

Public Sector Clients

Public sector clients include government agencies that initiate a project or have the authority in spending money for an event. Some major sector clients in Singapore include the Ministry of Community Development, Youth and Sports, People's Association, National Arts Council, National Heritage Board, Sports Singapore and the Singapore Tourism Board.

Private Sector Clients

Major clients include multi-national corporations holding meetings, incentive travels, conventions and exhibitions. Some key private sector clients include those from the finance and banking, pharmaceutical, construction and real estate sectors.

Charitable Foundations

Local foundations are also gaining prominence in the event industry. Traditionally, these foundations have funded education, art and building projects. Some are now beginning to fund exhibitions and events.

Venue Owners

These can include owners of:

- Exhibition halls – e.g. Singapore Expo, Suntec City Convention Centre, etc.
- Theatres – e.g. the Esplanade, Victoria Concert Hall, etc.
- Stadiums and sports complex – e.g. neighbourhood stadiums, the Sports Hub and the Singapore Indoor Stadium, etc.
- Hotels and integrated resorts – They provide not only accommodation but also ballrooms for dinners, and venues and facilities for corporate meetings, conventions, conferences and exhibitions.

Associations and Federations

These organisations usually aim to:

- Organise and/or host mega events.
- Provide accreditation and sanctioning, for example, Singapore Association of Convention & Exhibition Organisers & Suppliers (SACEOS) and Asia Pacific Economic Cooperation (APEC), etc.

CONTRACTORS AND SUPPLIERS

These comprise the following companies that bring both hard and soft skills to events:

<u>Production</u> , e.g. Event management companies Catering companies Event and production planners Exhibition and theatrical contractor & designers Technical services Professional event organisers Multimedia support companies	<u>Distribution</u> , e.g. Event and conference agencies Trade media Hotel booking agencies Incentive travel agencies Visitor and convention bureau Exhibition organisers Ticketing agencies
<u>On-Site Services</u> , e.g. Food and drink suppliers Business support services Medical services Information / customer services Technical support Cleaning and waste disposal	<u>Ancillary Services</u> , e.g. Hotels Photography and video services Transport and guiding services, ground handlers, etc. Transition services Music and entertainment providers

Toilets, washrooms and public facilities	Travel companies
Security firms	Costume hire services
Set designers	Tent/Marquee hire services
	Printers
	Floral suppliers
	Database support services
	Fireworks display operators
	Professional and trade bodies

SPONSORS

Multi-national corporations now view event sponsorship as an important tool to promote and market their brands and products in order to increase sales and brand awareness, building business relationship through host partners and clients. In order to attract sponsorship, event organisers or client organisations must offer tangible benefits to sponsors, and effective programmes to deliver the sponsors' needs. Therefore, it is important to keep in mind what the event would do for a potential sponsor (Watt, 1998)⁸. Potential event organisers will not only be looking at the same target market, but also how the media exposure can benefit them. Sponsors will also be looking for other direct benefits, for example, complimentary seats in a gala dinner party, free admission to the event for the sponsor or partner and complimentary VIP seats in a hospitality box.

EXTERNAL REGULATORY BODIES

A series of government and statutory bodies have a vested interest in the industry as they are responsible for overseeing the conduct and safe staging of events. These bodies have an integral relationship with the industry and can oversee the preparation and sale of food and water resources (Ministry of Sustainability and the Environment), street closures (Land Transport Authority), public entertainment and maintenance of public order (Singapore Police Force), building alterations for events (Building and Construction Authority), administering and enforcing anti-competition guidelines (Competition Commission of Singapore), and administration of arbitration rules and cases (Singapore International Arbitration Centre), etc.

Competition Commission of Singapore (CCS)

The Competition Commission of Singapore is a statutory body established under the Competition Act 2004 to administer and enforce regulations to:

- maintain and enhance efficient market conduct and promote overall productivity, innovation and competitiveness of markets in Singapore;
- eliminate or control practices having adverse effect on competition in Singapore;
- promote and sustain competition in markets in Singapore;
- promote a strong competitive culture and environment throughout the economy in Singapore;

⁸ Watt, D.C. (1998). *Event Management in Leisure and Tourism*, Harlow: Longman, pp52-59.

- act internationally as the national body representative of Singapore in respect of competition matters; and
- advise the Government or other public authority on national needs and policies in respect of competition matters generally.

The Commission is empowered to investigate and adjudicate anti-competitive activities, and to impose sanctions. You are advised to read up on the relevant website, www.cccs.gov.sg.

Key Prohibitions

Section 34 – Anti Competitive Agreements

This section prohibits agreements between competing organisations; decisions of associations of organisations; and concerted practices, which can prevent, restrict or distort competition within Singapore (unless they are excluded or exempted).

Section 47 – Prohibition on Abuse of a Dominant Position

This section prohibits commercial conduct on the part of one or more organisations which amounts to abusing a dominant position in any market in Singapore.

Section 54 – Mergers that Substantially Lessen Competition

This section prohibits mergers that have resulted or may be expected to result in a substantial lessening of competition, unless they are excluded or exempted. Apart from such mergers, complaints can also be lodged against anticipated mergers.

Generally, a substantial weakening of competition is likely to result in higher prices, lower quality, and reduction in the choices of consumer products and services. Further details on mergers that are excluded or exempted are covered under the Guidelines on the Substantive Assessment of Mergers 2016.

Security of Payment Act 2004

This Act is intended to address the cash flow issue in order to improve the cash flow of contractors and suppliers by expediting prompt payment in the construction industry.

Key Features of the Act

- Parties carrying out work or supplying goods or services in the construction industry for projects in Singapore have a right to payment.
- The Act applies to all written contracts including supply of goods or services except for construction work carried out or goods or services supplied on any residential property which does not require the approval of the

Commissioner of Building Control under the Building Control Act (for example, HDB home renovation and minor building works to private properties).

- “Pay when paid” and “pay if paid” clauses in any contract are barred.
- Contractual parties can agree on terms of payment including when payments are due under the contract. But the Act will provide for default payment periods if there are no contractual provisions timelines for payment response and payment due under a contract.
- The claimant has the right to apply for adjudication through the Authorised Nominating Body (ANB) if he does not receive any payment response or full payment or disputes the response amount by the respondent.
- The ANB shall appoint an adjudicator whose determination is binding and the adjudicated amount is payable by the due date unless and until the dispute is determined by a court or tribunal or at any other dispute resolution proceeding, or settled by agreement of the parties.
- The respondent may apply for the review of the adjudication determination if he is unhappy with the determination, provided the disputed amount is large.
- The principal who is the respondent’s immediate client can make direct payment to the claimant when the respondent fails to pay the adjudicated amount and recover it from the respondent. Parties carrying out work or supplying goods or services in the construction industry for projects in Singapore have a right to payment.
- The claimant is entitled to suspend work or supply if the respondent fails to pay the full adjudicated amount. The suspension ends when full payment is made.
- The Act also includes other recourses to the claimant such as the right to exercise lien on goods and enforcement of an adjudication determination as a judgment debt.

For further reading, please refer to the latest provisions of the Building and Construction Industry Security of Payment Act. Further details are also covered under Study unit 5 of the module FEM109 Contract Administration.

Arbitration

Arbitration involving disputes in event contracts may be conducted under ad hoc rules or administered by the Singapore International Arbitration Centre (SIAC) administers most of its cases under its own Rules of Arbitration which are adopted by parties in their arbitration agreement. The SIAC is also able to administer arbitrations under any other rules agreed to by the parties such as the UNCITRAL Arbitration Rules 1976.

Candidates can also refer to the following websites:

Singapore Academy of Law website, retrieved from: <http://www.singaporelaw.sg/>

Singapore International Arbitration Centre website, retrieved from:

www.siac.org.sg

MEDIA

The expansion of the media and the proliferation of cable and satellite television and the Internet have created a huge demand for the media product. This demand is supported by the global network of media organisations and the instant electronic transmission of media images and data. Media interest in events can provide community credibility and attract commercial sponsors. The media can vary from play varying roles of being event sponsors to becoming event partners or even producers. As event producers, they are able to provide good ideas and unique approaches to increase the profile and value of the event.

EVENT PARTICIPANTS

As consumers, participants are key stakeholders for which event management companies must carry out research to determine the event's feasibility. Depending on the types of events, they could be the spectators, audience, conference delegates, visitors, or tourists.

Objectives by Classification of Events – Classification by Sector

- Corporate/Business/Trade – e.g. conventions⁹, meetings¹⁰, hospitality programmes, conferences¹¹, retreats, etc.
- Lifestyle –e.g. sports, special interests, etc.
- Cultural –e.g. performing arts, exhibitions, etc.
- Government, Civic and Political – e.g. political rallies, events to promote government campaigns organised by grassroot leaders, VIP visits, etc.
- Commercial – e.g. for sales, road shows, product launches, trade fairs, exhibitions, publicity events, etc. Exhibitions offering educational benefits, can be either trade shows targeted towards industries or specific professionals, or consumer fairs for the public.
- Private arrangements –e.g. weddings, birthday parties, funerals, family holidays, etc.
- Non-Profit Organisations – e.g. public fund-raising programmes, religious activities like evangelism, etc.
- Education and Scientific –e.g. seminars, workshops, congresses, symposiums/forums¹², exhibitions, etc.

⁹ Conventions are large gatherings of people from associations, political parties or religious groups usually during an international meeting.

¹⁰ Meeting is a generic term which applies to a group of people assembled for any purpose, and usually refers to a small business event.

¹¹ Conference describes a group of people (small enough to facilitate interaction), meeting for the purpose of conferring and discussing.

¹² A symposium or forum is a meeting at which speakers or delegates present papers, or delegates present papers.

Clients' Objectives through Classification by Scale

Special Events

As one-off events or occurring less frequently outside the normal programme of the organising or sponsoring body, they are usually planned to arouse expectations and to motivate by providing reasons for celebration.

Major Events

They are usually national or international special events with high status or prestige, and can attract large crowds and media attention. They are very expensive to stage, may involve tradition or symbolisation, attract funds to the region, and can lead to demand for related services and leave behind legacies, or result in urban renewal (e.g. the National Day Celebrations, SEA Games, etc.). Major events can also take the form of hallmark events or mega-events.

Hallmark Events

They are staged to celebrate an important historical anniversary to enhance awareness, appeal, become identified with the location, and the promotion of a tourist destination. The Carnival in Rio de Janeiro, and the Edinburgh International Festival in Scotland are popular examples.

Mega-events

Mega-events, attracting very large number of visitors with a large cost or psychological effect, can boost volumes on tourism, media coverage, prestige or economic impact for the host destination. Examples include the Olympic Games and the World Cup Soccer.

Other Key Project Parties and their Roles

The following are also key project parties in the event industry that clients have to deal with in achieving their objectives:

Event Management Companies

Most event management companies (EMCs) have often grown out of related services or hospitality providers and are specialised in providing the complete event.

EMCs are normally hired by organisers who have a requirement for major or VIP events, corporate hospitality events and for products launches requiring specialist design and innovation. One benefit of having an EMC is the range of expertise, ideas and experience which they can draw on such as themed or gala dinners. Services include the planning, menu and theme design and full catering support. Theme development of the theme could include specialist sets, props and, if necessary, costumes and all the range of support requirements from special effects and lighting, to music and entertainment.

Production Companies

These companies are hired for high profile events, VIP ceremonies, road shows, major competitions or product launches requiring specialist technical facilities and knowledge. Increasingly, events of this kind are put into the hands of production companies. They are able to package together a wide range of technical support ranging from set design to the training of presenters.

A production company will probably be able to undertake most of the following services:

- Project management, in the case of large-scale projects where the whole event is delegated by the organiser to the production company;
- Design, including set and backdrop design, staging, lighting and all the range of audio-visual support needed for high quality presentations;
- Venue management.
- Participants or audience handling, which ranges from the simplest issues of ticketing and security to the full provision of VIP seat booking or allocation of accommodation or pavilion space;
- Technical support, ranging from simple provision or hiring in of equipment to the full preparation of computer graphics, video production and related facilities; and
- Training of presenters and speakers including basic training, scriptwriting and video production.

Events Catering Companies

Catering can be provided mainly in three ways: in-house (i.e. by an organiser or a venue provider), contractors permanently employed at the venue, or, alternatively, on an ad hoc basis at the venue.

Party Planners and Professional Events Organisers

These are smaller organisations which are willing to provide events-related services. They are commonly party planners and professional event organisers. Party planners offer a range of services particularly for the personal events. Professional event organisers usually work for the corporate market. Events can include parties, celebrations, weddings and anniversaries.

Exhibition and Theatrical Contractors

Exhibition and theatrical contractors can provide exhibition services of one kind or another ranging from design and management for large exhibition-type events to the provision of relatively simple one-off stands. While some exhibition contractors also have expertise in events production, some act as suppliers of systems, either for hire or for purchase. Typically, contractors will provide the shells in a venue and individual exhibitors will fill a shell with their own material, displays and staff for the duration of the event

Technical Services and Multimedia Support

Not all venues have the technical support or equipment to cope with the range of services demanded by organisers. Such equipment can be hired companies providing equipment, training and technical support. Higher levels of technology can also be obtained to provide complete presentations on anything from multimedia to video walls and from print shops to video production.

Voluntary Bodies, Committees and Individuals

Events often involve a large and active voluntary input. Such events include charity functions, sports days, birthday parties and festive celebrations which are undertaken by volunteers.

1.2.2 Parties Involved in the Facilities Management and Construction Industry

The Client

The approach to procurement and execution of facilities management (FM), is influenced by the size and type of client. Large client organisations may have a comprehensive in-house team providing professional, technical and construction roles of building maintenance. Smaller businesses will be unable to sustain such an internalised operation and need to outsource all the FM requirements. If in-house FM services are provided, then the departments and tenants serviced by the in-house FM team are considered their customers or stakeholders. Services have been purchased separately for single sites and price is usually the determining factor in selecting a service provider. As companies continue to outsource non-critical activities, and reduce and trim their supplier bases, existing outsourcing contracts have been expanded. Strategically, more important services have now been outsourced (Loosemore & Hsin 2001)¹³.

FM involves the creation of an environment conducive to carrying out the organisation's core business and using this to deliver customer satisfaction and best value through support for and enhancement of the core business. But no matter how well focused an organisation might be on the business, the client cannot ignore its supporting **non-core business** like managing the building's facilities. Thus, building owners use FM to:

- Support employees in their work and in other activities.
- Enhance individual well-being.
- Enable the organisation to deliver effective and responsive services.

¹³ Loosemore, M. and Y.Y. Hsin (2001), "Customer-focused benchmarking for facilities management," *Facilities*, 19 (13/14), 464-475.

- Use the physical assets more cost effectively.
- Allow for future change in the use of space.
- Provide competitive advantage to the organisation's core business.
- Enhance the organisation's culture and image.
- Fund the planning, design and fit out, and the ongoing support and servicing of the space that has been created for the organisation.

As the principal party to a contract, the client engages the project team and pays for the works which are completed in accordance with the contract. He may be:

- a multi-national corporation
- a government authority or a statutory body
- a private owner or developer of residential housing, commercial or industrial buildings

The objectives of the different building clients include:

- Property and development companies – make profit from the development process when retaining property for future growth in rental income.
- Investors – The main objective is to seek direct financial gain, but investors tend to take a longer term view than property development companies. They are usually concerned with flow of income over an extended period of time. Policies are intended to seek a balanced portfolio of property uses, rather than specialising in one particular use. Most investment companies tend to spread their investments geographically while concentrating on specific areas or markets. They dislike unconventional buildings, and avoid properties that will involve substantial management of tenants.
- Occupiers – They usually seek a building space that best suits his particular needs. These may be relatively simple or very specialised. It is planned that profits will arise from the use and benefits derived directly from the occupation of the building. Commercial and industrial companies often become involved in schemes to develop for their own occupation, e.g. extension to existing premises, or additions and alteration, and refurbishment to create additional space. Its open market value may be less than its total development cost.
- Government ministries and statutory authorities – They can be both occupiers and developers. As building clients, they need to consider public accountability and the overall desires of related stakeholders including the community and possible effects, other than financial benefits. They use more sophisticated techniques of project evaluation and cost-benefit analysis, e.g. Land Transport Authority, Housing and Development Board, etc.
- Non-government organisations – these include independent school owners, non-profit-making healthcare organisations, etc. Objectives include satisfying 'good value' criteria and remaining accountable to governing ministries and the community.

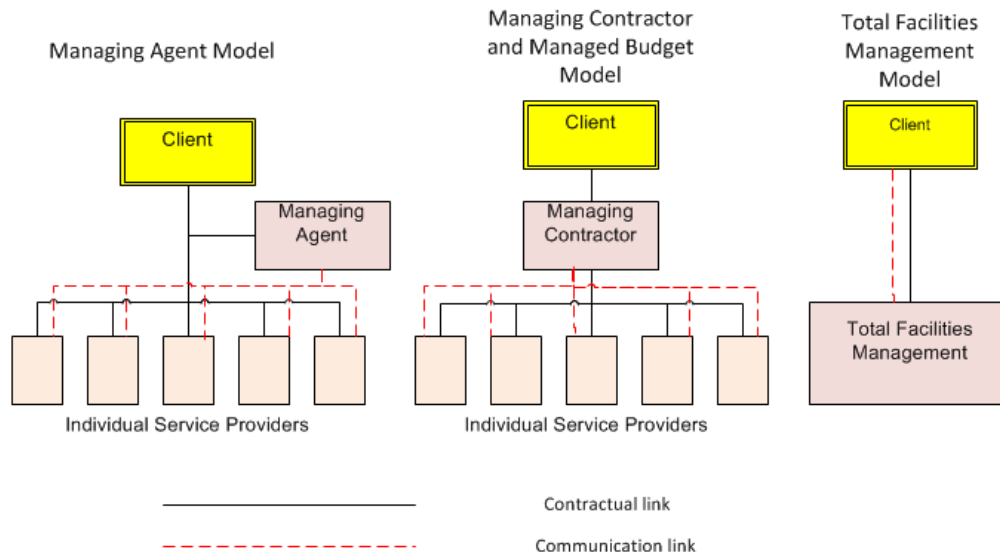


Figure 7 Contractual and Communication Link between Client and FM service providers

FM Clients (see Figure 7)

The approach to the procurement and execution of FM is influenced by:

- Size & type of client, e.g.
 - for large clients, a comprehensive in-house FM department/team is often used while an external organisation (Managing Agent) is usually engaged to manage client's own employees.
 - Appointing Managing Contractor to manage some/all service providers
 - Using an external Total FM contractor to offer single point of responsibility to manage all facilities.
- Type of FM services, particular maintenance work, additions and alteration, refurbishment and renovation, etc. Other types of services involving separate contracts may include:
 - Security
 - Cleaning
 - Mechanical and electrical engineering services
 - Catering
 - Internal & local transport facilities
 - Furniture supply
 - Stationery 'just-in-time' supply
 - Air travel
 - Building maintenance, rectification, additions and alteration work, refurbishment, etc.
 - Event management
- Building owners as clients use FM to:
 - Support people in work & in other activities.
 - Enhance individual well-being.

- Enable organization to deliver effective & responsive services.
- Use physical assets more cost effectively.
- Allow for future change in use of space.
- Provide competitive advantage to organisation's core business.
- Enhance organisation's culture and image.
- Fund planning, design & fit out, and ongoing support / servicing of space

If in-house FM services are provided, then the departments and tenants (if applicable) for which FM team provides services, are considered customers or stakeholders.

Managing Agents

- Used when:
 - Organisation decides not to hand over control of facilities to managing contractor
 - Yet does not have skill/expertise to manage facilities
- Managing agent serves as if as employee of organisation
- Client enters direct contract arrangements with service providers
- Advantages
 - No conflict of interest between client & managing agent
 - Agent & various service providers can be selected on basis of competitive tendering
 - Appointment / re-appointment of agent would not affect contracts with service providers
 - Dissatisfaction with 1 contractor will not place other contracts at risk
 - Flexibility for client to use suitable combination of contracts
 - Services provided can be part in-house, part outsourced – decision can be based on agent's advice / expertise / judgement
- Disadvantages
 - 'Gaps' between scope of contracts for decision for in-house/outsourcing where managing agent's advice is sought
 - Client exposed to moderate risks, esp. combination of risk factors in selecting various service providers and managing agent. New contractors may place extra burden on agent.
 - Administrative costs increase as the number of separate contracts increases – to be considered in decision to outsource?

Managing Contractors

- Can provide services and recruit personnel in
 - Helpdesk team
 - Financial planning and reporting, e.g. formulating budgets and tracking expenditure against expenditure headings
 - Purchasing on behalf of client service / supplies from contractors and service providers

- Space planning
- Project management
- Performance management of service providers / contractors
- Review
- 1 contract between client and managing contractor (principal service provider)
- Subcontractors (as secondary service providers) under contract with managing contractor
- Single point of responsibility for managing contractor to client
- Advantages
 - Single point of contact / responsibility
 - Reduction in paperwork and fewer payments
 - Little or no gaps in service provision
 - Much financial risks minimised on client – managing contractor paid fixed fee plus a fixed percentage on the value of work managed.
 - Client able to see how money is spent because of access to open-book accounting
- Disadvantages
 - MC's demand from service providers / subcontractors for greater discounts can lead to poor workmanship & service
 - Client must reserve right to approve selection of subcontractors to protect own interest.

Managed Budget Model

- Similar to Managing Contractor (MC) model except for differences in:
 - Apportionment of risk
 - Improved relationship between client & managing contractor
- MC responsible for:
 - Paying all suppliers & subcontractors
 - Providing consolidated invoice at end of each month for net expenditure without mark-up
- Mark-up paid by client:
 - Only if MC attains pre-agreed service levels.
 - For discretionary expenditure e.g. Stationery or handling fee, MC paid with simple handling charge.

Total FM Model

- Under this arrangement, client passes full responsibility for managing facilities to single external organisation for fixed fee.
- Advantages
 - Single purchasing point, only 1 contract between client & Total FM contractor
- Disadvantages
 - Experiences by users show that Total FM model is inflexible, lacking in transparency & requiring tight policing
 - Conflict of interest may arise out of % based mark-up.
 - Clients now prefer partnership-based relationship where returns are agreed in advance & both parties work towards innovation & cost reduction.

Consultants

Although not a party to the building contract, they form a team of professionals who undertake to provide services to the Employer to achieve his objectives. The team may comprise the following:

1. Architect
2. Quantity Surveyor
3. Civil and Structural Engineer
4. Mechanical and Electrical Services Engineer
5. Specialists (for example):
 - i. Landscape Architect
 - ii. Lighting Specialist
 - iii. Acoustics Engineer
 - iv. Interior Designer

Architect

- He/she is engaged by the employer as the key designer of the building project to translate the client's ideas and requirements into designs and drawings incorporating suitable materials and fittings.
- He/she is responsible for dealing with official approvals in accordance with the various authorities and statutory bodies' requirements such as planning permission and building permits.
- As the principal consultant, he/she is usually the principal co-ordinator or agent acting on the client's behalf to oversee the entire construction and completion of the building project.

Quantity Surveyor (QS)

- The primary role of the QS is to provide the employer and the design team with the project cost and contractual advice. He has no real contractual power except through the Architect.
- During the pre-tender stage, he is responsible for preparing the preliminary cost estimate, bills of quantities, schedule of works and schedule of rates, and for compiling the tender documents.
- The QS is expected to attend all tender openings and interviews and is also responsible for evaluating the tender submissions and prepares a tender report. He offers advice on the contractor's selection and is responsible for the compilation of the contract documents. The QS also manages the financial aspects of the project from the award of the tender to the preparation of final accounts.

Civil and Structural Engineer

- The Civil and Structural Engineer should attain the qualification of Professional Engineer and be registered with the Professional Engineers Board before he is allowed to sign/sanction drawings for submission to the authorities.
- He is the structural consultant responsible for the design of the building structure and the safety of the building frame for its intended use in accordance

with the codes of practice. He is also responsible for all civil, structural and drainage work submissions. **Specifically, he should be involved in discussing with vendor on-site, analysing engineering designs, explaining to team members on engineering design, taking charge of engineering projects, discussing on drawing plans, etc.**

Mechanical and Electrical Services (M&E) Engineer

- He is responsible for the design of all mechanical and electrical installations on the building project such as fire-fighting installation, air-conditioning and mechanical ventilation installation, lift & escalator installation, electrical installation, sanitary and plumbing installation, gas installation, etc.
- He also assists the Architect in the submissions to authorities for the areas where services are required.
- **Specifically, he plans and supervises the M&E works (e.g. installation of green building technologies, lighting, air-conditioning and mechanical ventilation systems, etc.) in buildings and infrastructure construction. He/She co-ordinates the M&E works with the other ongoing site works.**

Other Specialists – In large and complex projects, other specialists engaged to support the consultant team could include:

- Landscape Architect;
- Lighting Specialist;
- Acoustic Consultant; and
- Interior Designer.

Contractor

- Once the decision has been taken to outsource particular project, the employer may choose to contract with several contractors to carry out individual contracts, or bundle out a group of FM services into one contract, or outsource all aspects of FM services to a single FM company. In the last option, the FM company serves as the Contractor or the managing agent.
- For additions and alterations, upgrading and refurbishment programmes, extensions and life-cycle replacement work, the Contractor is responsible for carrying out the contract to completion at the agreed price, in accordance with the specification, drawings and other contract documents, and within the contract period.
- He is fully responsible for all suppliers and sub-contractors (both domestic and nominated) and for the co-ordination of all these sub-contractors.
- The Contractor has to employ key personnel to manage the building project including his project manager, site quantity surveyors and other site supervisory and supporting staff.

Sub-contractors

- As the Contractor cannot undertake every aspect of work necessary for the construction of a building, he needs to outsource (whilst maintaining control and contractual responsibility) some of the work to his sub-contractors. The extent of

sub-letting varies with the project's complexity, locality, size and type and the Contractor's expertise.

- Nominated Sub-contractors are selected by the architect to work under the Contractor for works including mechanical and electrical installations, lift and escalators installations, fire-fighting installations and curtain wall systems.
- Appointed by the Contractor, domestic sub-contractors offer a combination of either "supply and fix" or "fix-only" schemes for various trades such as floor and wall finishes, concrete work, brickwork, formwork fixing, structural steel work and steel reinforcement.

Suppliers

The supplier is responsible for providing the necessary materials for the project. Arising the development of material sciences in the industry, suppliers can offer valuable information on the design, installation, maintenance and life-cycle of the materials. Suppliers may be manufacturers, trade merchants or agents. They can be nominated by the Architect, or appointed by the Contractor as domestic suppliers.

1.3 Needs of Clients, Suppliers and Contractors

1.3.1 Procurement Needs of Clients

The client's procurement needs must be evaluated in terms of the relative strengths and weaknesses of the available options covered under the following factors:

Time or duration

The project duration including commencement and completion dates may be crucial to the success of any project. While most clients are likely to have a desire for an early completion, any attempt to meet the objective of early completion is likely to have consequences on other project requirements like cost and quality. The choice of the procurement strategy will have a major impact on the project duration.

Cost

In situations where the client is constrained by a limited budget, then quality, in the form of a reduced specification, is likely to be restricted. Project duration will then be the optimum in terms of cost rather than the client's choice.

Open tendering normally results in the lowest price offered from the contractor or supplier, but this method poses several problems which will be discussed in Study Unit 3. In terms of price, negotiated tendering is seen to be uncompetitive. Projects with an unusually short contract periods tend to incur higher costs. The introduction of contract conditions that favour the client or the imposition of high standards of workmanship than required will also push up costs as tenderers allow for contingencies to cover such risks.

The degree in which cost certainty is required by the client before commitment to a project also restricts the procurement choice considerably. Clients should also be aware of risks associated with abortive design fees and variations to the Contractor's work if frequent changes are made during the contract period.

Quality

The quality of any service or product is influenced by many factors such as the briefing process, suitability of materials, components and systems and their inter-relationships within the total design, and the quality control procedures that are in place during both design/concept development and construction. The choice of procurement strategy can also affect the design process and means of control by which the client and his design team can monitor both specification and construction. Quality is a subjective issue and is sometimes difficult to define and identify.

Accountability

Organisations receiving funding like the public sector will naturally be concerned with accountability since they are subject to public scrutiny. There is a misplaced assumption that there is less prudence in accountability for companies in the private sector. Research carried out by Masterman (1992) in 1988 showed that 'private, experienced secondary clients, that is, major and active manufacturers, retailers, service organisations, etc. ...' indicated accountability as the most important criterion in ensuring project success.¹⁴

Certainty of Project Objectives

Some procurement arrangements such as management contracting incorporate an inherent facility to accommodate design development throughout a project while others are not suited to design changes like lump sum contracts.

Market Conditions

The selection of a suitable contractual arrangement will also depend on the general state of the economy and should also take into account the predicted changes within the project's life. Contractors may be reluctant to enter into what they perceive to be unsatisfactory contractual relationships when there is ample work. In a construction slump, contractors will be more willing to accept risk, but the client must also be wary of the negative effects of contractors' liquidation and claims.

1.3.2 Needs of Suppliers and Contractors

After studying the necessary tender documents, the contractor or supplier should also consider the following factors in relation to the project needs, in particular.

- Current workload – This can influence the available resources needed for this project.

¹⁴ Mastermann, J.W.E. (1992). *An Introduction to Building Procurement System*, London: E & F N Spon. In Ashworth, A. & Hogg, K. (2002). *Willis's Practice and Procedure for the Quantity Surveyor*, 11th ed., Oxford: Blackwell Science.

- Possibility of securing this project which may lead to a continuation of future contracts.
- Expertise required.
- The contract period as stipulated by the client.
- Resources specifically required in relation to the size and complexity of the project including any available finance, materials and labour.
- The anticipated competition – This will influence the decision of the contractor and the supplier over the price and the profit margin to be put up in the tender.
- Risk – This can take two forms: the contractual risks which are associated with the terms and conditions of the contract (for example, the rate of liquidated damages, the tight contract period and any provision to compensate for fluctuation in prices of materials and labour), and technical risks which are mainly concerned with the complexity and technicalities of the project operations.
- The time allowed for in the proper preparation of the tender estimate and/or event proposal.
- Are standard or non-standard documents such as conditions of contract, being used for the project? Are documents included in the proper order and sufficient for a proper estimate or a scheduled breakdown of prices? Are the design documents prepared properly or hastily?
- Identities of the client and his professional advisers or consultants with whom the contractor or supplier may have to work. This assessment can be based on past working relationships.

1.4 Learning and Reflection Activities

1. Arising from recent news about the lapses in the implementation of the Government Procurement (GP) policy framework, do you think that the current measures and policy in place are adequate to stem out any malpractices or even corruption arising from the procurement processes in the public sector? Give reasons to justify your answers.
2. Carry out an Internet search on the official website of the Ministry of Finance via this URL address and seek answers to the following questions. Then share the information that you have received to your course mates.

http://www.ifaq.gov.sg/MOF/apps/fcd_faqlmain.aspx#FAQ_36617

- a) How does the Government ensure that opportunities to participate in quotations/tenders are made available fairly and openly to all suppliers?
- b) Why does the Government conduct procurement using the GeBIZ portal rather than source for quotes directly from suppliers?
- c) Do Small and Medium Enterprises (SMEs) stand a fair chance of winning government contracts?

- d) Is price the only factor Government agencies consider when awarding quotations/tenders?
- e) What safeguards are there to minimise the risk of procurement fraud?
- f) What steps are taken to ensure that Government expenditure is prudent and that public money is not spent irresponsibly?
- g) Should Government agencies be required to re-call tenders/quotations when only one bid has been received?

3. From the following case studies, carry out the following tasks:

- (a) Recommend a suitable tendering method for this project and justify the choice your choice of selection.
- (b) Describe its procedures.
- (c) Highlight the merits and demerits of your recommended method of selecting the contractor.

Case 1

A company, an international chain of hotels and resorts, owns a hotel in a prime district. It has acquired the adjoining site for an extension which is estimated to cost some \$56 million. The Board of Directors would like the project to be carried out by a particular contractor who has completed some work to their satisfaction before. But the Board has maintained that it will not insist on this if some other contractors are found to be more suitable and that the price must be right. The company is also prepared to pay for quality. You are instructed to put up a notice of pre-qualification of tenderers.

Case 2

The Public Utilities Board (PUB) is calling for tenders for improvement works to roadside drains at various locations along Changi Road, Hillview Avenue, Thomson Road and Balestier Road. The 30-month contract value is estimated to be S\$19.2 million. Finance has already been arranged for the work to commence as soon as the contracts are arranged.

- 4. With reference to Case 1 of Question 2, explain the purpose of the pre-qualification notice. Compile a list of criteria for the shortlisting of tenderers for this project.
- 5. With reference to Case 2 of Question 2, answer the following questions:
 - (a) Briefly explain how you will carry out the tender evaluation and describe the most important items that you will include in your tender report.
 - (b) PUB intends to adopt the current Building and Construction Authority (BCA)'s guidelines of the Price-Quality Method (PQM) to evaluate the tenders. Advise the client on the recommended price-quality weightage, the quality attributes and how the quality and the price scores are derived.

6. 'Government agencies and entities are now prepared to revise their evaluation criteria to ensure that bids submitted are assessed more holistically.'

Support this statement by carrying an Internet research on the following:

- (a) The revised tender evaluation criteria and process for commercial child care centres in Housing and Development Board premises. You may try to click on to this URL address at:
<https://www.ecda.gov.sg/Pages/revised-tender-evaluation-process.aspx>
- (b) The evaluation criteria for the Public Private Partnership (PPP) contract for the Singapore Sports Hub. You may try to click on to this URL address at:
<http://www.sportsingapore.gov.sg/newsroom/media-releases/2007/2/invitation-to-tender-for-singapore-sports-hub-comes-to-a-successful-close>

1.5 Summary

All facilities management and event organisations need goods and services from external suppliers or providers. The study unit covers the role and scope of purchasing and its development, and key issues which are related to strategic purchasing, supply chain management, public sector procurement, outsourcing, quality management, inventory management, timing, pricing and cost of ownership.

The client's priorities in selecting an appropriate procurement strategy lies in the adjustment of the cost, quality, time and other factors such as production, risk, accountability and the manner in which the contract is made.

When selecting a suitable contractor or supplier and the type of contracts to be used, the client needs to consider factors like the economic use of available resources, the contractor's contribution in relation to the design and speed of production, the incentives to make and control operational cost savings, work continuity, risk and accountability.

The events business is not **only** concerned with the provision of activities, entertainment, refreshment and equipment. It also covers a wide range of interlinked activities and involves a wide range of stakeholders including the client organisations (which can be supported by their committees, several different types of specialist contractors and suppliers, venue providers, caterers, regulatory bodies, sponsors, audience and participants).

The approach to procurement strategy and execution of FM services is influenced by the size and type of client organisation. While large client organisations may have a

comprehensive in-house team; smaller businesses usually need to outsource all the FM requirements.

The procurement needs of the client are usually evaluated in terms of the relative strengths and weaknesses of factors such as duration, cost, quality, accountability, certainty of project objectives and market conditions. From the point of contractors and suppliers, they have to consider their current workload, the possibility of a continuation of future contracts, expertise required, stipulated contract period, size and complexity of the project, the anticipated competition, risk and the time allowed for the proper preparation of the tender estimate, etc.



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