

Case Study

Collaborative Research: Procurement Costs Analysis



Key Facts

- A collaborative research project led by the University of Reading and jointly funded by the Engineering and Physical Sciences Research Council and 17 industrial partners.
- The Cost of Procurement is a critical issue facing the construction industry.
- The research led to the development of benchmarking techniques to improve efficiency in procurement.
- Increased project profitability and value for money.

Background

The project, The Analysis of Cost of Procurement in the Construction Industry, was jointly funded by the Engineering and Physical Sciences Research Council and 17 partners from the construction industry:

Amec	Amey
Asite Solutions Ltd	Balfour Beatty Major Projects
Bovis Land Lease	Bucknall Austin Limited
Carillion Plc	Collaborating for the Built Environment
Gardiner & Theobald	Gleeds
Irvine Whitlock Ltd	Kier Group
Land Securities	Marketing Works
Waterman Group	Waterloo Air Management
EMCOR Drake & Scull.	

The Challenge

The purpose of this project was to identify and analyse how clients award work, and how contractors and consultants obtain work so as to understand the costs associated with different tendering approaches and both contractual and non-contractual arrangements for collaboration.

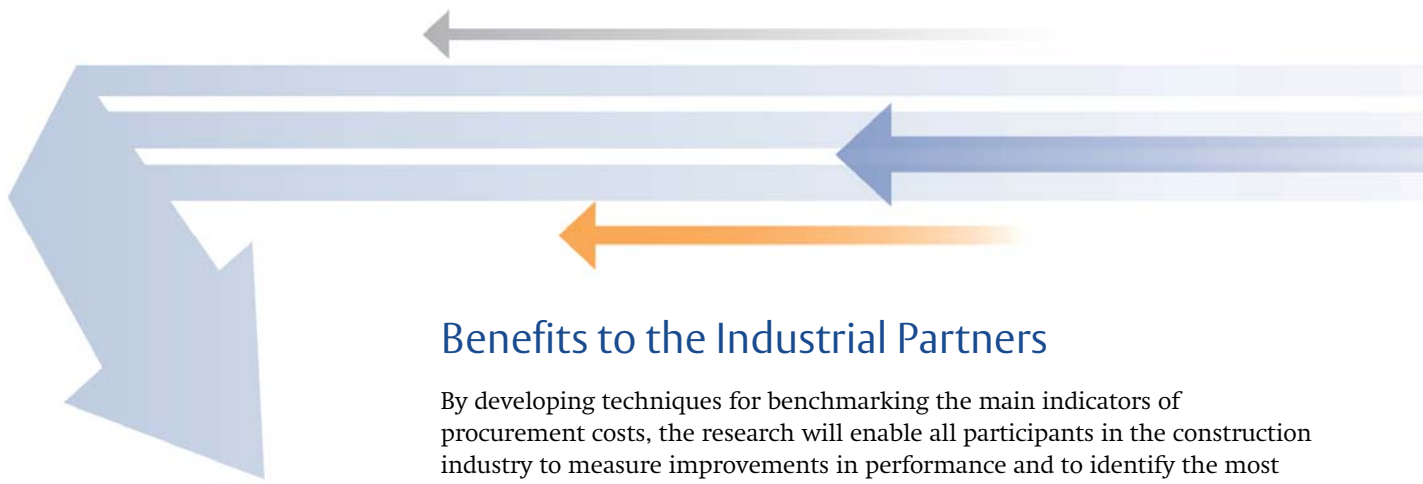
There are three types of cost involved:

- Pre-tendering (marketing, forming alliances, establishing reputations)
- Tendering (estimating, bidding, negotiating)
- Post-tendering (monitoring performance, enforcement of contractual obligations, dispute resolution).

Together, these involve large amounts of resource, but these resources are typically dealt with as overheads, rather than individually costed.

Solution

This project was the first attempt, in any industry, to generate empirical data about the costs associated with finding and getting work, and the financial consequences of different approaches.



Benefits to the Industrial Partners

By developing techniques for benchmarking the main indicators of procurement costs, the research will enable all participants in the construction industry to measure improvements in performance and to identify the most cost effective way of forming project teams, thus increasing project profitability and value for money.

Benefits to the University

The collaboration enhanced the reputation of the University and the School of Construction and Built Environment.

Involvement with up to the minute industry developments allowed academics to update their teaching practices with leading edge techniques and knowledge.

The project also provided the University with experience in collaborating with some of the largest and best respected construction companies, as well as generating income for the University and the School.



'All collaborators from the construction industry are able to measure improvements in performance and to identify the most cost effective way of forming project teams, thus increasing project profitability and value for money.'

University of Reading

The University of Reading is a world-class research-intensive university covering a broad spectrum of disciplines across the Life and Physical Sciences, Arts and Humanities, Social Sciences and Henley Business School. Areas of particular strength include: Climate Systems Science, Preventative and Therapeutic Health Sciences, Sustainable Construction and Environments and Computational Science and Informatics.

The University works with businesses providing support for research and development, as well as access to expertise and equipment to solve business challenges. To find out how you can access the leading minds at the University of Reading please contact our Knowledge Transfer Centre.