CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

This chapter will discuss some introduction on contractor which is the criteria of contractor to be chosen by client. The overall objective of this chapter is to identify the background of study, the problem statement, research objective, scope of study, research methodology, significant of study and the expected outcome.

Construction project must be managed in an effective manner. Client is a person that receives a services from professional person or organization in return for payment. The demands from clients and competition have been growing rapidly. In order to fulfil the client’s needed, each specification in the tender should be cleared by the contractor so that contractor know what is needed to put in the tender.

Selecting an appropriate contractor is essential for the success of any construction project while choosing the wrong contractor will lead a project faced a few risks during completing the project. Once the contract has been signed, the contractor have the responsibility to perform the project either the contract is continue for better or for worse, in sickness and in health, until their natural or unnatural conclusion. Consequently, the contractors cannot simply tender for a project without consider those risk that involved in the project. As a result of not recognized the risks, it may cause the contractors to lose money or become bankrupt [5].

Clients generally need the best criteria in selecting the contractor in order to get best result in term of cost, time and quality. On the other hand, delays influence negatively on the contractor performance and contribute to adverse impacts in construction projects such as contract disputes, low productivity and increase in construction cost.
As the contractor, they must do their best to get awarded during tendering [9]. So that, contractors also need to list out and make deep research what’s criteria that client seek to award the contract. As the building projects are getting complex, the contractors need to meet specific demand [1]. Since the economy of our country is weakens, the client looking the contractor that offers the lowest price. Historically, clients usually award the contract to the lowest bidder during tendering. However, there are 3 main point that are highlighted during selection of contractor which are in term of cost, time and quality [6].

1.2 BACKGROUND OF STUDY

A contractor is an organization or individual who directly employs or engages construction workers or as part of their business carries out, manages or control construction work. According to Nieto-Morote, and Ruz-Vila [2], selecting an appropriate contractor is essential for the success of any construction project. The complexity and diversity of the current construction industry aggravate the various risks and uncertainty faced by contractor, which influence their ultimate performance levels. The adequate selection of suitable contractor is directly related to construction project success and the achievement of specified objectives, therefore contractor selection constitutes a critical decision for any project manager.

The selection of a contractor is a crucial decision made by client. Usually the price/cost criteria is dominate as the client seek the most economic price. However, dominating of one of these criteria may negatively affect to others. The main aim of selection of contractor is to find out the lowest possible price, the reputation for good quality workmanship and efficient organization and the ability of contractor to complete on time (M. Brook, 1993).

1.3 PROBLEM STATEMENT

Client is a person or company that receives a service from professional person or organization in return for payment. In construction, the client have the right to choose the best contractor to complete the construction work. According to Ruben Favie, Ger Mass, and Gary Abdalla, [1] one of the steps in those processes is the assessment of the contractors on the basis of the specific criteria. Which criteria have to be used depends on the wishes of the client. As the building projects are getting more complex,
contractors that builds these projects have to meet specific demand. Since the economy of our country is weakens, the client looking the contractors that offers the lowest price.

Choosing the wrong contractor will lead a project face a few risks during completing the project. So that, a wide variety of criteria have been proposed [11]. According to Abedi, Fathi & Mohamad (2011), delays influence negatively on the contractors performance and contribute to adverse impacts in construction projects such as contract disputes, low productivity and increase in construction costs. The main threat is the clients do make costly mistakes in their decisions to award the contractors to unqualified contractors and this would eventually have damaging consequences on the project and clients’ investment. It therefore became necessary to examine the different criteria adopted by clients in selecting contractors in Malaysia in order to find out the most important criteria that clients should focus on when awarding construction contracts to main contractors (Arazi Idrus, Mahmood Sodangi & Mohamad Afeq Amran, 2011).

The efficiency of a construction process is usually associated with the successful of choosing a contractor. In practice, various procedure of contractor selection are used, but the final decision depends mainly on the service’s price that have been proposed. Furthermore, different countries use different procedures to select the “cheapest” contractor [12]. All these procedures are aimed at selecting a qualified contractor on a competitive basis, but in reality a decision is usually based on a single criterion [13]. Lately, the “lowest-bid” selection practice has been criticized because it may lead a high-risk exposure of the client.

As the contractor, they must do their best to get awarded during tendering. In order to win, they need to give lowest price and comparable with the building that need to be constructed. Contractors need to be confident that the estimates that form the basis of their tenders are realistic. If their tender prices are consistently high they will fail to attract work, alternatively if their prices are too low, they will gain work at unprofitable rates (Andrew & Baldwin, 1990). Since there are few contractors will fail during tendering, they need to try other project. What if the contractor or company do not get any project? It will give side effect to the contractors. So that, contractors also need to list out and make deep research what’s criteria that clients seek to award the contract. Contractors who are successful would place more emphasizes on factors that affect schedule, cost and quality of the projects (Florence & Min, 2005).