

**FACTORS AFFECTING THE MAIN CONTRACTOR'S BID/ NO BID  
DECISION MAKING PROCESS IN TAMALE METROPOLIS**

**By**

**Ajongba Desmond Malachi**

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## DECLARATION

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which to a substantial extent has been accepted for the award of any other degree or diploma at Kwame Nkrumah University of Science and Technology, Kumasi or any other educational institution, except where due acknowledgement is made in the thesis.

AJONGBA DESMOND MALACHI (20483669) .....

STUDENT NAME & ID

SIGNATURE

DATE

### **Certified by:**

MR. JAMES COFFIE DANKU .....

SUPERVISOR'S NAME

SIGNATURE

DATE

### **Certified by:**

PROF. BERNARD KOFI BAIDEN .....

NAME OF HEAD OF DEPARTMENT

SIGNATURE

DATE

## **ABSTRACT**

Ghana is one country that has prioritised public procurement as a means to reducing corruption in the country. However, the success of competitive bidding depends on a bid/no bid decisions of contractors. Bid/no bid decision call for in deep knowledge of a company's consideration in connection with many factors affecting this decision. When a company does not assess the right factors before bidding can lead to failure in the bid and its subsequence effects on the bidder. Knowing the above challenge, the research aimed to unearth factors affecting the main contractors' bid /no bid decision making process, causes of failures in tendering of works and effects of the failures on tenderers in the Tamale Metropolis. A questionnaire survey, consisted of 50 factors and further grouped into 13 major factors affecting bid / no bid decision, was distributed to the works contractors. Through a survey, 111 contractors and 20 procurement officers were sampled for the study. Data collected was analysed using Relevant Important Index (RII) and means score ranking with the help of the Statistical Package for the Social Sciences (SPSS). The study discovered that need for work, strength of the firm, risk creating job and contract conditions, project conditions contributing to profitability and job uncertainty were the major critical factors affecting contractors' bid/no bid decision in the Tamale Metropolis. In order to ensure competitive bidding, the study recommends that the Public Procurement Authority (PPA) through the various procurement units of procurement agencies should work to ensure that tendering procedure becomes less cumbersome with understandable specification conditions and less expensive process. However, the results provided will make contractors more informed about the factors affecting the bidding decision process. Contractors been aware of these factors will make an informed decisions relating to bidding process.

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## **DEDICATION**

I dedicate this piece of work to the Almighty God. Without His grace, love, care, guidance and protection, I would not have come this far. To Him alone be the Glory for He loves me more than anything in this world.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

A decision to bid or not refer as a choice of an organisation either readying a response to a specific solicitation or otherwise.

Pellicer *et al.* (2014) stated that firms' refusal to tender in for a winnable job cuts the company off from the chance to making profit, increasing its market share and value and then building a strong reputation and establishing cordiality with concern people. Conversely, just cultivating habit of contract biddings leads to many unsuccessful bids that may likely result in waste of monetary and non-monetary resources which could have been saved for other business ventures (Bageis and Fortune, 2009). Nonetheless, firms need to bid for contracts, hence due diligence need to be put in place before decision is made by contractors regarding whether to bid for a project or not.

According to Cole (2007) procurement takes place when goods or services are bought or provided within the needed quality and quantity at the possible best minimised price or costs. Procurement is not limited to governments' agencies but it's much more pronounced within the public institutions than private ones mainly due to public interest answerability. With public institutions, every needed item ought to be done through procurement process before they are bought and these items may include simple office stationery to heavily funded projects such as big construction project or carry main transformation initiative (Introduction to public procurement, 2008). The World Bank (2003) referred to procurement as adopted procedure by government assisted institutions to acquire the needed wares, infrastructure and policy performance. Miler *et al.* (2009) contend that the overall strategy employed to undertake procurement

which include the framework and the structures is known as procurement methodology and even though in most cases a single mother law is applied to all government's agencies, there could be slightly structural dissimilarities from one organisation to the other. The authors further assert that procurement system is a framework enshrined in an institution that serve as a guide detailing the responsibilities of the actors concerned with the procedure together with procedural methodology employed in a particular institution. Thus, the procurement framework is the rules that governs the institution and are usually established with the creation of a public entity, thereby helping to ensure that officers are not swayed from their procurement mandate.

Government has the sole mandate of utilising the taxpayers' money hence its judicious use is of paramount important to citizens and donors as such government is expected to go for value-for-money works, goods and services and that explains the need for and importance of public procurement (Introduction to Public Procurement, 2008).The Public Procurement Act 663 (2003) lay bare lawful structure that directs, guides, controls and harmonises the procurement processes in Ghana to guarantee that the taxpayers' funds is properly accounted for. The Act is to equip public institutions with well-built structures for efficient procurement and information system so as to avoid or at worse minimise wrong computation, ensure effective monitoring leading to the delivery of quality items at the correct price. Raymond (2008) contends that before emergence of Public Procurement Act 663 (2003) Ghanaians together with development partners had lost confidence and trust in Ghana's public agencies to protecting the public purse. Hence it was expedient that the then government in consultation with development partners came out with the act as a mechanism to reduce the widely alleged corruption and rot in contracts awarding both for construction services and provision of products and services. Public procurement rides on principles

of the greatest impact drive from spending cash, competition, ethics, answerability and openness hence more qualified tenderers are expected to get involved in the process of awarding and delivering of goods, services and works so as to achieve the underlined objective.

Even though Mastanduno (1991) gave evidence of discriminatory behaviour in the tendering process against non-domestic suppliers, other tenderers are of the view that public procurement is highly politicized and competing in the process is of no essence which tenderers at Tamale Metropolis are not an exception. Public procurement should be free, just and transparent before value for money can be achieved. In view of this, the research is being conducted to identify factors the main contractors should consider before bidding for a project as well as causes of unsuccessful tendering of works project in Tamale Metropolis.

## **1.2 Problem Statement**

Arrowsmith (1998), stressed that in order to achieve economic, social and other objectives, procurement is a crucial tool. Procurement could be public or private depending on the entity acquiring the goods. Similarly, Pegnato (2003) contend that with the significance attach to public procurement, it should not be overemphasised with regards to economic and social benefits taking recognisance of the volume of financial commitment involved in the process. Public and private clients may demand tendering by contractors during acquisition of goods, works and services.

Despite the legal framework, guidelines and procurement procedures formulated many bidders feel cheated when their contract bids do not go through as expected. This often led to litigation and mostly prolongs the procurement processes. Recent example was

the court suit against the privatisation of the Electricity Company of Ghana in which the Millennium Development Authority (MiDA) was joined as the fourth defendant.

The tendering processes involve a lot of resource commitment by tenderers. When tenderers commit themselves financially and finally do not win, it has some effects on them which include waste of time, money and loss of interest by the tenderers to participate in subsequent tendering processes. This can lead to procurement apathy.

Contractors are therefore obligated to first be mindful of their decision with respect to bid or not. Various considerations are made before a contractor decides on whether to go in for a contract or otherwise, even though such decisions are mostly reliant on the job type with prevailing macro ecological factors. Contractors therefore need ample time to scan the environment, check their internal strength before deciding on whether to bid or not for a job (Huan, 2011).

Although the subject of factors a contractor should consider before bidding for a project or not in public procurement has gained grounds as a topic for debate on several platforms quite recently, this is a less researched area. For instance, Wanous *et al* (2003) contend that even though a decision on bid/no bid for a project in the construction sector remained very vital, it is yet to attract scholarly interest. In view of this, a study in this area is vital.

This study therefore seeks to identify the factors that needed to be considered by the works contractor before deciding whether to bid or not and the effects of unsuccessful tendering on tenderers in public procurement in Tamale Metropolis.

The outcome of this study will bring to the attention of contractors the most important factors which must be given attention before a project bid/no bid decision is arrived. The study may also be useful to all firms that do bid for contracts by serving as a guide towards a competitive bidding strategy.

### **1.3 Research Questions**

The research is therefore looking for answers to the questions below;

1. What are the factors affecting the main contractors bid/ no bid decision making process?
2. What are the causes of failures in tendering of works?
3. What are the effects of the failures on tenderers?

### **1.4 Research Aim and Objectives**

#### **1.4.1 Research Aim**

The purpose of the study is to identify the factors affecting the main contractors bid/ no bid decision making process in Public Procurement on tenderers at the Tamale Metropolis.

#### **1.4.2 Research objectives**

The following specific objectives were set, to achieve the aim of the study;

1. To identify the key factors affecting the main contractors bid/ no bid decision making process in Tamale Metropolis.
2. To identify the causes of failures in tendering for works.
3. To identify the effects of unsuccessful tendering on tenderers.

### **1.5 Significance of the Study**

Many tenderers keep on complaining about the huge money involved in the bidding process. Thus, ranging from tender price, to securities for tenders or bonds and expenditure of other attachments keep on increasing day by day which is difficult to bear by the tenderers. When a bidder invests much in those processes and finally do not win loses huge monies.

The study will also serve as a means of generating further data for any researcher interested in the area of research. It will further serves as a guiding principle to tenderers to be more prepared to go for tendering that will help them win. These and many more justify the research.

### **1.6 Research Methodology**

This section discusses the research design adopted. The study used qualitative and qualitative methods to collect the required data which allowed appropriate and accurate data to be organised, analysed and explained with the findings. The study population is works tenderers that participate in the tendering processes from 2013 to 2018. Structured questionnaires were used in reaching out to individual contractors and face to face interview with the procurement officers.

### **1.7 Scope of the Study**

The research was done in Tamale Metropolis. It will include tenderers and procurement officers that participate in the tendering process for works from 2013 to 2018. The thesis delves on only works procurement, thus building construction projects to be exact.



## **1.8 Structure of the Dissertation**

This dissertation is partitioned in five (5) main chapters. The chapter one introduces the reader to the background research where the statement of problem, aims and objectives, research scope, questions and justification are discussed.

The chapter two articulates the various literatures related to works.

The chapter three dealt with the methods employed in the study. Also, it gives an extensive view of presented data. It provides information on the research tools and methods employed in data collection.

The chapter four critical analysed data from the field. Chapter five gives the findings, conclusion and the possible recommendations for future study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This generally reviews related literatures pertaining to the objectives and aim of the research. The review begins with the definition of the various procurement concepts and procurement systems. This is followed by the identification of the factors affecting the contractors bid/no bid decision during tendering. Also again, causes of failure of unsuccessful tendering by works contractors are also discuss. Then the effects of unsuccessful tendering on tenderers will be identified. This section will conclude with the identification of strategies to decrease the probability of unsuccessful tendering. The premier consideration of every firm is to decide on whether to bid or not before thinking of competitive tender strategy to win (Egemen & Mohamed, 2007). As a company, all the available resources including labour capital and company's solvency need to be of prime consideration before a bid or no bid decision could be reached (Huan, 2011).

#### **2.2 Relevant Definitions**

##### **2.2.1 Procurement and Procurement System**

Procurement is a means of acquiring goods, services or works that meet the consumer needs at a minimal price possible with quality and quantity in mind. The main objective of public procurement is to ensure quality through cost effectiveness and to enhance fair competition and transparency within the procurement process.

The World Bank (2003) referred to public procurement as the adopted procedure by government assisted institutions and agencies to acquire the needed wares, infrastructure and policy implementation. The World Bank (2004) further argued that,

public sector procurement accrues nearly 15% to the world's gross domestic products and remains much higher in the African continent. Procurement system is also defined by Miller *et al.*, (2009) as a framework enshrined in organisational setup that defines the rules of operations and the responsibilities of all actors engaged in procurement for the institution.

### **2.2.2 Contractors' Bid/No Bid Decision**

As one of the sectors with relatively no barrier to entry but with stiff competition, contractors are naturally forced into making multiple project bids with the hope of getting some to be successful. Nonetheless, this strategy may lead to many bid rejections. Construction firms are therefore encouraged to do due diligence and be more selective when bidding for projects (Smith 1995; Wanous *et al.*, 2003). Even Egemen and Mohamed (2007) contend that the survival of construction firms mainly dependent on their abilities to win bids and execute projects that can increase the firm's capital and profit base. But Johnston and Mansfield (2001) sounded a caution that contract tendering is an expensive venture hence bidders should put in their bid application only when they are much aware that the bids may have a top rate of success, mainly based on the execution of similar projects in the past. Egemen and Mohammed (2007) further argued that the decision to bid for a contract should not be decided on the eventual success of the bid only but as well on the strength and the resource of the firm to complete the work successfully on the given deadline of the client all things being equal.

### **2.2.3 Procurement Methodology**

The overall structure in which procurement is carried out comprising the adopted strategy and the institutional procurement framework are known as procurement strategies (Miller *et al.*, 2009). The Business Dictionary refers procurement as the adaptive procedure for converting requisition into purchased order through several legitimate ways such as competitive bidding, direct negotiation or sole sourcing. Miller *et al.* (2009) reiterated that procurement strategies are the ways in which the aims of projects can be achieved. The authors contend that procurement strategies comprise contracting arrangement for the project design, operation activities, maintenance and sub-contracting arrangements.

### **2.3 Public Procurement in Ghana before the Enactment of Act 663**

Prior to the coming into force of Act 663, the basic assessment of items procured were mainly on lower costs without much recognisance for value-for-money. Hence the lowest bidders were mostly awarded the contract. However, such a method had a lot of inefficiencies, major one been the "Designers Estimate", where the projected contract sum determined by the consultant posts difficulties to tenderers. This is because bidders that want to win the contract had to prepare their bids based on the estimated threshold cost set by the architect without, first assessment of whether they had the financial muscles and current resources to execute the project when finally given at the price determined by the architect.

In emerging nation like Ghana, where economic hardship seems to be the norm with less improved infrastructure, the method was not helpful in advancing the infrastructural deficit of the country but on the contrary was helping corrupt individuals in the helm of affairs to divert the taxpayers' moneys for their personal gains. Similar to most African

states, the political stability in Ghana before the 1992 constitution was highly questionable and donors and clients such as the World Bank were even unsure about the political stability of the country with the change of government leading to suspension and in some cases the cancellation of contracts already awarded by the previous administration.

World Bank (2003) estimated that procurement of goods, works and services, as well as consultancy services for the public in the country contributed over 600 million United States Dollars to Ghana's GDP, further elaborating the importance of public procurement. Anglomasa (2003) observed that the ministries, department, agencies (MDAs), district assemblies and other public institutions are the clients of the procured wares. It was therefore assumed that the consumers may influence what is been procured negatively to the advantage of the directors and those involved in the procurement process to unduly drain the already ailing economy.

In order to ensure transparency and protect the economy, several laws concerning procurement were enacted among them include the Contracts Act in 1960, Ghana Supply Commission Act, afterwards investigated in 1990 by PNDC law 245, the Financial Administration Decree in 1979 and the Ghana National Procurement Agency Decree in 1979. Despite the enactment of the several laws before 1992, inefficiencies and the corruption that existed in the procurement processes were still on the increase which raises the question of the efficacy of those laws. These also discourage investors and the donor communities to an extent, thereby further plunging the country into deeper poverty (Anglomasa, 2003).

Pressure was further put on government to innovate a mechanism to counter the rot in public procurement which resulted in the setting up of the Public Financial Reform Program in 1993 which became operational in 1995 and was evaluated by an advisory group. The work of the advisory group led to the drafting of the Public Procurement Bill in 2002 which became a law in 2003 (Public Procurement Law, 2003 (Act 663). But had its structures in 2004 and it subsequently became operational on August 27, the same year.

## **2.4 The Tendering Procedure**

Act, (2003) details out tendering procedure. These details are located at Part V and is sub divided in three Parts, with 22 sections. They are listed below;

### Sub-Part

- I – Tenders Invitation and Prequalify Applications
- II – Tenders Submission
- III – Tender Comparison and Evaluation

### **2.4.1 Sub-Part I: Tenders Invitation**

The Public Procurement Act 663 (2003) stipulates the procedures a procurement entity should follow during invitation for tenders. The act gives an entity the chance to do national competitive tendering when the entity observes that only domestic contractors or suppliers may be interested in the bid. In this case, international competitors are restricted from tendering. International competitive tendering may be allowed when it can add to the competition and ensure that the most qualified contractors or suppliers are selected. Part Four and Part Five of the act shall be applicable with modifications as may be deemed fit.

### **2.4.2 Procedures for Inviting Tenders**

Section 47 of the Public Procurement Act 663, dictates how tenders should be invited. The section clearly says tenders shall be invited by a procurement entity or where applicable, the entity shall publish the invitation in procurement bulletin to allow qualified bidders put in their tender. The invitation to tender or invitation to prequalify shall also be published in at least two major newspapers or in a relevant trade publication or technical or professional journal of wide international circulation. Invitations to tender and invitations to pre-qualify above thresholds defined in Schedule 3 of Act 663 (PPA 2003). Sections 48 and 66 of PPA (2003), Act 663, offers comprehensive inside in the call to tender, call to pre-qualify, and call for show of interest. "Specific Directives to Contenders" in the Standard Prequalification Documents and the Standard Tender Documents enclose accurate requirement measures. The publications are evaluated to have satisfactory information to allow dealers to conclude on their interest and ability in bidding.

### **2.4.3 Sub-Part II: Submission of Tenders**

PPA (2003) Act 663, Section 53 outlines directives alongside processes on how tenders are to be return. For normal systems of procurement, tender submission should include covering letter and tender form (Brook, 2004). The instructions to tenderers have always included time, date and location where the tender is to be submitted. It is the obligation of the bidder to present the tender documents on the exact given time even though in some cases the tender are allowed to be send through electronic means although such medium is not common in Ghana, which must be preceded by post in any case. In order to maximise the security of tender documents, it is most appropriate for tenders to be delivered in sealed environment with track able codes for

transportation safety. For the purpose of record keeping, online submission of electronic tenders should be received and kept in an electronic bid box and be protected with top-notch electronic security to ensure they are kept for long time record-keeping and scrutiny. Tendering electronically should always be encrypted; however, copies that are encoded by the computer for the purposes of evaluation should not be different from the original documents as stated in the 2010 Executive Opinion Survey of the World Economic Forum, bribery by international firms in Organization for Economic and Development (OECD). Organization for Economic and Development (OECD) also stressed that submission of tender is very critical to minimising bid rejections such that tenderers should be very much clear with the submission directives. The number of copies to be delivered, the supporting documents, the sealing and marking of envelopes should all be taken into account so as to minimise bid failure.

#### **2.4.4 Sub-Part III: Evaluation and Comparison of Tenders**

This outline measures and criteria employed by the client to evaluate and qualify least bidders. The section stipulates the scope for and any changes to the direction to bid (ITT) Clauses linked to assessment of tenders and the criterion of tenderers and the projected ITT products. It ought to be observed that tenderers usually try to get in touch with the Procurement Entity during Tender appraisal, openly or through a third party in order to know in advance the situation of evaluation, to give unnecessary explanations, or to offer condemnations of other contenders. Tenders should be evaluated based only on the original information given by the tenderer but not to have the prices altered in the favour of a bidder by the procurement entity. Under no circumstance must a bidder have a private meeting with a procurement entity or its consultants during or immediately before tender evaluation process.



#### **2.4.5 Opening of Tender**

Section 56 of the Regulation mandate procurement entities and their consultants to begin the opening of tender documents not later than two hours after the expiration of submission deadline and continue without intermission until all the available tender documents had been opened by the entity tender committee. It is the sole duty of the tender committee to ensure that minutes of the opening are recorded and kept.

#### **2.4.6 Formation of Tender Evaluation Panel**

The formation of a Tender Evaluation Panel shall consist less than six members' maximum and shall be only for the purpose of specific procurement package after which it shall cease to exist. The membership shall be made up of people from diverse educational and professional background with the requisite technical skills, experience and knowledge needed that for that particular procurement requirement (PPA Manual 5(14) & Regulation 19(1, 2), 2003). Staffs of the procurement unit may be appointed to the evaluation panel but are restricted to members of the entity tender committee. Evaluation of very low threshold or what is normally called routine procurement can mostly be done by the procurement unit of the entity. Notwithstanding, evaluations that are more sophisticated and may need specialised skills, can have extra members outsourced to join the evaluation panel for the purpose of transparency. However, for the sake of transparency, members of the evaluation panel shall not directly be engaged in the agreement of any contract award (PPA Manual 5(14) & Regulation 19(1,2), 2003).

#### **2.4.7 Evaluation of Tenders and Reporting**

The universal process for assessment of tenders and to determine which tender is responsive by the evaluation board is spelt out in Section 57, 58 and 59 of Act 663. Procurement entities are supposed to use the standard Tender Evaluation Forms for the tender evaluation as set in Section 59 (6) of the Regulations. The tender invitation documents should also codify and clarify the requirements for the responsiveness of tenders (Section 58 (1) of Act 663). The lowest evaluated bidder price usually becomes the one to win the bid with the absence of any outstanding issues (Section 59 (3) of Act 663).

#### **2.4.8 Submission of Tender Evaluation Report**

Evaluation report should be put together by the Tender Evaluation Panel which shall be presented by the Head of Entity. The standard format for the evaluation of works should be used for the preparation. The evaluation report shall be included in the record of procurement minutes as stated in Section 28 of the Act (PPA Regulation, 2003).

#### **2.4.9 Contract Award and Notification of Contractors**

The manners in which contracts are accepted and in which procurement contracts are validated are spelt out in Section 65 of the Act. The Act demands that the successful tenderer shall be informed within 30 days after accepting the contractor's proposal (Section 65 (1) Act 663). It is the obligation of the successful contractor to write back to the procurement entity, accepting the award of the contract and subsequently present the needed performance security.

#### **2.4.10. Signing of contract**

The process in accepting tender and validating the terms of contract in the bid application are dictated in Section 65 of the Act. The tender document shall as well state clearly all the conditions surrounding the contract. Signing contract means that the parties agreed to the terms in the contract and to their contractual duties and obligations. Once the parties append their signatures on the agreement form it means the parties have read the contract, agree to the contract's terms and conditions, intend to enter into the contract, legally authorized to sign it and mentally competent to sign it.

#### **2.4.11 Notification to Unsuccessful Tenderers**

Unsuccessful tenderers should not be left out in the notification process. The PPA Regulations (2003) directs that tenderers that fail during the tendering process should be notified when the contract is awarded. Their tender securities should accordingly be returned to them as well (PPA Regulation, 2003).

### **2.5 Factors Affecting the Bidder's Tendering Decision**

According to Raju *et al.*, (2015), the bidder must consider numerous factors before tendering in order to increase his likelihood of winning the tender. Knowing of the inducing reasons behind contractors' decision to bid for contracts or not will bring to the attention of policy makers the need to properly examine the procurement procedure so as to address the inducing factors (Lifson & Shafer, 1982). Dozzi *et al.* (1996) asserted that tenderers needed to consider various factors when putting in a tender. Aznar *et al.*, (2017) argued in favour of Lifson and Shafer's former assertion and further placed emphasis on the importance of knowing the influencing factors to contractors' bid decision making process if procurement procedures are to be very

competitive. Some reasons beneath contractors' bid/no bid decision making processes are discussed below;

### **2.5.1 Need for Work**

This include considering existing workload relative to company capacity, project availability in the market, monetary capability of the firm to undertake the project, necessity of a firm to be in business to pay its workers and workload required in submitting a bid. Chua and Li (2000) in their study suggested that the on-going business expenses recovery and return in investment establish the work need of the company.

Egemen and Mohammed (2007) argued that the need for work and its components remains a top-notch factor of concern for most contractors and it should be given much priority by industrial players. Similarly, researchers including Slash (1993); Wanous et al (2000); Bageis and Fortune (2009) have had similar opinions about the importance of workload consideration.

### **2.5.2 Strength of Firm**

Strength of the firm examines the internal strength of the bidding firm and comprises capacity of the firm to honour the tender conditions demanded by the client, the financial prowess of the firm, the experience of staff in undertaking such contracts in the past and whether there is a need to outsource exert sort otherwise. Firm's strength is actually an internal analysis of the firm's opportunities in relation to the anticipated contract yet to be bid. After the failing of the internal strength for the company to have needed chance, a contractor may rescind the decision to tender for the project (Egemen & Mohamed, 2007).

### **2.5.3 Conditions of the job that contribute to profit making**

Egemen and Mohammed (2007) listed some factors that contractors may consider in line with the project conditions relating to contract profitability. The authors contend that a tenderer may consider the total monetary value of the project, payment conditions, the type of project and the likelihood profit that may be realized from the project based on similar past projects executed. The conditions of the job that may be of interest to contractors may include the location of the project, deadline, among others.

Recent studies have indicated that the size of the project, and the payment conditions remained the most crucial factor in that category (Wanous et al, 2000; Lowe & Parvar, 2004; Egemen & Mohamed, 2007). In their study, Drew and Skitmore (1997) discovered that the size of a project pulls much weight than any other element since financial considerations including profit is embedded in the size of the contract. Conversely, Shash (1993) contend that the project type is more crucial, even though Bageis and Fortune (2009) contend the term of payment remains paramount since the industry is capital intensive and tenderers may have to depend on the cash flow for the speed execution of the project.

### **2.5.4 Job Uncertainty**

Considering the unpredictability of happenings at construction sites, conditions such as tender documents should fully be prepared without any missing information is also essential in producing a bid with a high likelihood of success. It is imperative to think about the unreliability with regards to site conditions of the project. These factors will certainly influence the main contractors' decision regarding whether to bid for a project or not.

### **2.5.5 Job Complexity**

It is imperative for tenderers to consider the complexity of the job been bid and assess their technological capacity as a firm to dealing with the technological difficulty that may be associated with the project comparative to similar ones executed in the past.

The time, cost and quality of a project success is very deplorable in the industry of construction (Bertelsen, 2003). (Baccarini, 1996), (Mills, 2001) and (Mulholland and Christian, 1999) stressed that it is common knowledge that the decline in the design and construction sector is as a result of numerous reasons. Job complexity hinders the apparent recognition of goals and objectives of major projects.

### **2.5.6 Risk of the project with conditions of contract**

Specifications not flexible; when the workmanship and materials that is need for the job is not flexible. Allowed project duration being enough and the bidder know too well that he cannot complete the works within such duration it is advisable for the contractor not to tender for such project. Other factors that needed to be considered are liquidated and ascertain damages on the job, payments criterion for the job and purchaser's behavoir towards the need for the project.

### **2.5.7 Resources available in the region where the project is sited**

Qualified human resource, materials and plant available in the region are also critical factors to consider in bidding decision making. When biding, the bidder has to find out where the project is going to be located; there are labor, materials and plants closer to the site. If those resources are far away from the site, the bidder's pricing will be high to cater for the transportation and vice versa.

### **2.5.8 Firms' predictability of future conditions of the market and position of the its finance**

As already stated financial capacity is very important in the construction industry as such tenderers should consider the macroeconomic indicators and analyze the trend of the construction market whether it is slopping upwards or downwards. This may help in predict upcoming projects that are profitable which may be available in the near future and current financial situation signifying risk in sector in time ahead. The market trend is also helpful in proper estimation of the relationship between company's existing market total sales to the normal market total sales (share).

### **2.5.9 Future Losses and Gains**

The bidder must consider the number of projects executed by the client on regular bases and the number of repeated projects the purchase has been undertaken. Also, he must envisage whether the project will contribute to the change in company's classification, company's uniqueness as well as identification power, and contribute to increase company's market total sales (share) and market supremacy. Also the project should contribute in strengthen future relation with people, contribute in sustaining future relationship with significant markets dominance, contribute in upgrading company's staff experience and contribute in entering into advance markets.

## **2.6 Causes of Unsuccessful Tendering**

Tendering is a key in a project cycle. With traditional procurement system, it is the point where a contractor is call on to tender for the works. Bidders are invited to buy the tender document and bid for the works. There exist a number of reasons a tenderer may be unsuccessful in tendering. These are discussed below;

### **2.6.1 Pricing**

The final tender price stipulated by the bidder is crucial in tendering process in-terms of losing or winning the contract. Responding to tender has to be competitive. It has to be competitive in pricing bearing in mind good value for money. If submitted tender price is not competitive, it can cause the tenderer to be unsuccessful.

### **2.6.2 Project Delivery**

A competitive tender is not just a consideration of the price as discussed above. Although, Merna and Smith (1990) stipulated that, the pricing of the bidder is most significant aspect. A competitive tender is a tender that can compete with other tender proposal in terms of price, quality and project delivery. Project delivery stipulates the duration and the technical considerations in the execution of the project.

### **2.6.3 Administrative Mistakes**

There are several mistakes that may cause a bidder to be unsuccessful. Administrative errors can cause the bidder to be disqualified. Some of these errors may include signing the tender or to initial every page, late submission or submission into the wrong tender box. Some errors as stipulated in the PPA can be corrected. An example is arithmetic errors.

### **2.6.4 Missing Information**

Bidders may not supply some information needed by the client probably because of not reading the tender document carefully or an oversight. Failing to supply any needed information may cause the bidder to be unsuccessful.



### **2.6.5 Unclear Proposal**

Unclear proposal may also cause a bidder to be unsuccessful. Failing to communicate clearly as a bidder can ruin your likelihood of winning. A bidder's proposal must be clear and concise and the panel must clearly understand what the bidder is offering.

### **2.6.6 Requirements not met**

Not meeting all the requirements stipulated by the client may lead to disqualification of the bidder's tender response. Fundamentally, a good tender should be able to provide answers to questions asked in the tender documents with attachment of valid supporting documents, inability to answer all the questions asked appropriately and the refusal to provide all the needed the supporting documents may lead to bid rejection.

## **2.7 Effects of Unsuccessful Tendering**

An efficient public procurement system is good for governance where as a poor procurement system reduces value for money when acquiring works, goods and services for the government Adjei, (2014). Adjei, (2014) also stressed that tenderers unsuccessfulness increases project cost especially when it is delay in execution. It further delays the client from having access and using the project for the required purposes. Tenderers do not truth procurement process when it is not transparent, fair and accountable to the citizens of a country. Thus bad procurement processes demoralize companies that supply goods from part taking in the tendering process, thus value for money will not be achieved (World Bank, 2004).

When a constructor's tender is unsuccessful, the contractor's time and financial resources are lost. Some contractors declare it as bad debt since the will not be able to recovery it again contractors who take loans for tendering and are not been able to paid

back face legal charges and it makes the company unpopular. When tender fails it wakens bidder's up to find out causes of the failure in the tendering process to be more prepared for subsequence projects.

Moreover, continual failure in tendering can lead the contractor to go out of business since he will not be able to pay workers, renew certificates such Social Security and National Trust, Labour, Water Resources Works and Housing, etc. This will increase unemployment rate in the country with its menace.

Weele (2000) suggested that bureaucracy is a major challenge that affects purchasing procedures. This is due to lengthy authorization procedures which makes procurement processes slow or difficult. This also explain the over emphasis on procedure which are supposed to result among procurement entities in developing countries. For Weele (2002), his experience with state procurement projects demonstrate the effects of poor procurement procedures and the method used for purchasing as factors that may lengthen the duration of procurement.

In Europe for instance, the European Commission suggest an estimated four percent (4%) reduction in purchasing budget if countries follow consistent tender procedures.

Others have also made similar empirical findings (Coppens, 2009, European Economics, 2009, Iimi, 2007) which measured the amount involved in terms of fairness and competition in the procurement markets. The researchers contended that regulations and processes that enhanced fairness and openness help to make downward adjustments to price of procuring significantly.

Lin and Chen, (2004) also stress that failing continuously during bidding process will amount to bad reputation. Any company that loses tender in the bidding process does not look confident in submitting subsequent tenders.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

Chapter three discusses methodology used in the research work. The research seeks to come out with critical factors affecting bidders decision as to whether they should bid for a project or not in Tamale Metropolis, identify the causes of failures in tendering for works and to identify the effects of unsuccessful tendering on tenderers. The section discusses the design used in undertaking the research, population of interest, the selection of sample size, the sampling technique employed, data collection method and the technique for analysing the data.

#### **3.2 Research Design**

Research design details a comprehensive strategy for carrying out an empirical investigation into a phenomenon beginning from topic conceptualisation to data analysis (Bhattacharjee, 2012). Research design serves as a guide towards the completion of an empirical investigation. There are several research designs available to conduct empirical research; this study however adopts a descriptive cross-sectional survey. Descriptive cross-sectional survey remains appropriate in this research because the design allows the use of both numerical and non-numerical information in one research which the current research seeks to do. Statistics for the current research was collected from the section of the respondents in a field setting thereby offering the chance to base the study on the current real life situation of the people and this can be best achieved through a descriptive cross-sectional survey. Descriptive cross-sectional survey also allows the use of multiple data collection techniques in a single study thereby ensuring triangulation and credibility of findings.

### 3.3 Sample Frame and Target Population

Target population for the research comprised of all procurement officers in public institutions in the Tamale Metropolis and all registered contractors that had been active in both building and road construction in Tamale Metropolis from 2013-2018 (Five years) numbering about 218 (153 contractors and 20 procurement officers).

### 3.4. Sample Size

Using the formulae for the sample size proposed by Yamane (1967), 111 contractors participated in research. Below are mathematical calculations for selection of the number of contractors.

$n = \frac{N}{1 + N(e)^2}$ ; where n= sample size; N= sample frame and e = error of acceptance,

which is (0.05) for the study (Yamane, 1967).

#### **For contractors**

$$n = \frac{153}{1 + 153 (0.05)^2}$$

$$n = 153 \div 1.3825$$

$$n = 110.66$$

$$n = 111 \text{ contractors}$$

#### **For Procurement Officers**

$$n = \frac{20}{1 + 20 (0.05)^2}$$

$$n = 20 \div 1.05$$

$$n = 19.05$$

$$n = 20 \text{ Procurement Officers}$$

### **3.5 Sampling Technique**

Two divergent sampling techniques namely simple random and expert (purposive) sampling techniques were adopted in carrying out the study. Expert sampling technique is a purposive sampling method where a researcher in empirical study uses his/her discretion in selecting people deemed knowledgeable in the area of the study to take part in the research.

Purposive sampling technique was used in selecting procurement officers that participated in the study. The officers were selected with respect to their in deep knowledge in public procurement law as well as their experience as procurement practitioners. Their deep level of knowledge is expected to offer the study the precisely needed information needed for the success of the research.

Simple random sampling technique was employed in selecting individual contractors to take part in the research. List of tenderers that met the study's criterion was taken from the Association of Building and Road Contractors. Using the lottery method, the names of the firms were written on pieces of papers, folded and mixed together in a bowl. The researchers then asked two people to randomly pick the pieces one after the other until the sample size was reached. Each picked names was then contacted to take part in the research.

Simple random sampling was very appropriate for the study because the technique allow for the use of statistical application hence errors due to sampling could be estimated and be taken care of. Again, the use of simple random sampling technique gives similar opportunity or chance to each unit of analysis to be selected in the study, thereby leading to fair representation. The use of simple random sampling technique was also convenience and did safe the researcher's resources (time and Energy).

### **3.6 Data Collection Method**

#### **3.6.1 Sources of Data for the Study**

Data gathered from respondents (primary data) was the main data used for the research while secondary information was gathered from literature and other sources.

#### **3.6.2 Primary Data**

Primary data were gathered from contractors on the field with questions asked answering specific objectives with assistance from procurement practitioners' new questionnaires were freshly developed.

#### **3.6.3 Secondary Information**

Secondary information for the research questions was gathered and modified from the records of the public procurement authority (PPA), public procurement agencies, journals; articles and other relevant literature. Existing questions were modified from similar research conducted by Haun (2011) and Adjei (2014).

### **3.7 Survey Instruments**

Questionnaires and face-to-face interview guide were the instruments adopted for the data gathering.

#### **3.7.1 Questionnaires Administration**

Questionnaires were administered to the contractors with the help of one field enumerator. The questionnaires were in four parts with first part dealing with the tendering history of the firms while sections two to four were based on the study objective. The questionnaires were mainly closed ended with the majority being a Five-

Points-Likert Scale ranking. In all 90 questions that were very relevant to the objectives were asked and each respondent was expected to use 120 minutes to answer each of the questionnaires since almost all could read and write. The field enumerator and the researcher only guided the participants on how to answer, however this did not in any way influence the choice of answer selected.

The use of questionnaires was appropriate for the study because it ensured anonymity of respondents thereby enhancing the validity and credibility of data obtained.

### **3.7.2 Face-to-face Interview**

Face-to-face expert interview was conducted for five procurement officers from five different public institutions. The interview was a face-to-face in-depth one guided by semi-structured questions based on the research objectives. The interview section for each of the interviewees lasted for 45 minutes.

The interview was strictly held off-camera to protect the respondents and to encourage the divulging of unbiased information. In each section, the interviewer explained the purpose of the study to the interviewee and sought permission to voice record the interview proceedings, those that obliged were recorded and those that declined were not recorded but their responses written in a field notebook for transcription during the analysis.

The use of face-to-face in-depth interview was appropriate to the researcher, since it saved time as well as provided specific accurate information that were important to the research from reliable source.

### **3.8 Method of Data Analysis**

Both qualitative and quantitative techniques were adopted in the data analysis which was primarily descriptive in nature. Data obtained from the field were processed (edited, coded and tabulated or graphed) and analysed with the aid of computer software programme (Statistical Package for the Social Scientists and Microsoft Excel). Objective one was analysed through descriptive statistics (frequency tables, percentages) with Relative Important Index that determined the key factors affecting the main contractors bid/no bid decision. Mean score rankings were used in analysing objectives two and three while the interview were analysed with content analysis.



## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### 4.1 Introduction

The outcome of the analysed data obtained from the field are presented and discussed. The analysis is done based on 115 questionnaires administered to contractors who had been active in tendering from 2013 to 2018 and interview with five procurement officers from major public institutions. Out of 115 questionnaires, 102 representing 89% were retrieved and used for the analysis. The four sub-headings include the background characteristics of participant, factors affecting tenderers decision with regards to whether they should bid for a project or not, causes of failure during tendering and effects of bidding failure on tenderers.

#### 4.2 Background of Respondents/Firm

**Table 4.1: Experience of Company**

Duration of company's existence		
Variable (years)	Frequency	Percent
<6	11	10.8
6-10	19	18.6
11-15	22	21.6
16-20	21	20.6
>20	29	28.4
Total	102	100.0

**Source: Field Survey (2019).**

Table 4.1 represents the duration of company's existence. Majority of the companies (about 70%) had been in construction for more than 10 years. Very few (about 11%) had less than six years of bidding experience, suggesting that the companies were much aware of the rules and regulations guiding a successful tendering process in the industry.

#### 4.2.1 Firms' Tendering History

**Table 4.2: Firms' Tendering History**

<b>Project Tendering Clients</b>		
Variable	Frequency	Percent
Private only	10	9.8
Public only	16	15.7
Both private and public	76	74.5
Total	102	100.0

<b>Number of Submitted Tenders in the Past Five Years and Success Rate</b>			
	Frequency	Percent	Success Rate
<11	11	10.8	27.3%(3)
11-20	25	24.5	40% (10)
21-30	21	20.6	14.2%(3)
31-40	21	20.6	61.9%(13)
>40	24	23.5	41.6% (10)
Total	102	100.0	
<b>Means of Tender Financing</b>			
Internally generated revenue	37	36.3	
Borrowing	4	3.9	
Borrowing & Internally generated revenue	57	55.9	
Other source	4	3.9	
Total	102	100	
<b>Amount spent on Tendering from 2013-2018 in Gh¢</b>			
5000-10000	13	12.7	
10001-20000	19	18.6	
20001-30000	32	31.4	
>30000	38	37.3	
Total	102	100	

**Source: Field Survey (2019).**

From Table 4.2 it can be seen that the many companies (about 75%) tendered for both government and non-government contracts. Less than about 26% tendered for either private or public contracts only. Most of the companies that had been in operation for more than 15 years more often than not did tender for government's contract only as against those who had less experience. From the table it can also be seen that the rate of successful tendering in the years under investigation was very high among firms that

had been in existence for more than 30 years as against those who had less experience in the industry. Suggesting the tendency to reject tenders from inexperienced firms was higher than that of old and experienced firms.

As displayed in Table 4.2, most participants (about 56%) borrowed moneys in addition to internally generated fund to tender for contracts whereas about 36% depended on internally generated fund, only about 4% depended on borrowed funds from other sources (mainly sale of assets) to tender for jobs. Majority of the firms that were relatively new in the industry borrowed to support their tenders whereas those who had been in the industry for long did borrow and used internally generated funds as well.

As shown in Table 4.2, 69% of the contractors had spent over Gh¢20000 on tendering within the years under investigation, suggesting contracts tendering is capital intensive venture. As such firms with little resources may have to depend on external sources, principally loan facilities from financial institutions or the sales of the firms' assets. This further suggests that unsuccessful tenders may be a big blow to firms.

### 4.3 Critical Factors influencing bidding decision of the Main Contractors

**Table 4.3: Rankings of Critical Factors influencing where a contractor should bid for project or not**

FACTORS	RII	SD	OVERALL RANK	RANK PER CATEGORY
<b>Work Need of Contractor</b>	<b>0.861</b>	<b>0.712</b>		<b>1<sup>st</sup></b>
Job workload relative to company capacity	0.796	1.218	41	
Project availability in the market	0.801	1.130	37	
Monetary capability of the firm to undertake the project	0.839	0.995	16	
Necessity of a firm to be in business to pay its workers	0.803	1.258	36	
Workload required in submitting a bid	0.800	1.003	38	
<b>Company's strength</b>	<b>0.817</b>	<b>0.813</b>		<b>2<sup>nd</sup></b>
Capability of the firm to meet all tender requirements	0.884	0.889	1	
Monetary capability of the company carry out the work	0.852	0.911	6	
Been familiar with particular project type	0.794	0.989	42	
Having the required professionals to executed the work	0.750	0.884	50	
Having the required tools and machinery to execute the work	0.841	1.008	12	
Possessing subcontractors required for the work	0.839	0.968	15	
Possessing material suppliers required for the work	0.796	1.098	39	
Work section that needed to be Sublette with regards to the total work	0.841	1.052	14	
Equipment to be hired with respect to hiring rates at the time of executing the project	0.817	8.194	23	

**Source: Field Survey (2019).**

**Table 4.4: Rankings of Critical Factors influencing where a contractor should bid  
for project or not Cont.)**

FACTORS	RII	SD	RANK	RANK PER CATEGORY
<b>Risk of the project with conditions of contract</b>	<b>0.817</b>	<b>0.941</b>		<b>3<sup>rd</sup></b>
Inflexibility of workmanship and materials required for the Project	0.841	0.904	11	
Enough period required to execute the project	0.813	1.119	25	
Liquidated and ascertain damages on the job	0.813	1.035	24	
Payments criterion for the job	0.850	0.779	10	
Enough time for preparing and submitting of bid	0.827	5.162	22	
<b>Conditions of the job that contribute to profit making</b>	<b>0.809</b>	<b>0.983</b>		<b>4<sup>th</sup></b>
Volume of work with regards to the tender figure	0.830	0.955	21	
Payment terms of the project	0.868	0.959	3	
Category of job	0.807	0.937	28	
Amount made in past jobs of the same kind	0.841	1.045	13	
<b>Project unreliability</b>	<b>0.807</b>	<b>1.113</b>		<b>5<sup>th</sup></b>
Unreliability with regards to site conditions of the project	0.807	1.107	30	
The tender documents fully prepared without any missing information	0.852	0.973	7	
<b>Competitiveness for the project</b>	<b>0.801</b>	<b>1.259</b>		<b>6<sup>th</sup></b>
Many qualified contractors tendering for the project	0.807	1.145	31	
The wish of qualified bidders to tender and be successful in the job	0.866	9.938	4	

**Source: Field Survey (2019).**

**Table 4.5: Rankings of Critical Factors influencing where a contractor should bid  
for project or not (Cont.)**

FACTORS	RII	SD	RANK	RANK PER CATEGORY
<b>Purchaser (with regards to losses/gains in the future)</b>	<b>0.790</b>	<b>1.023</b>		<b>7<sup>th</sup></b>
Number of projects executed by the client on regular bases	0.809	0.978	26	
Number of repeated projects the purchase have been undertaken	0.809	1.120	27	
<b>Purchaser and project managers of the job</b>	<b>0.786</b>	<b>1.011</b>		<b>8<sup>th</sup></b>
Ability of the client to finance the project	0.803	1.092	35	
Past records of purchaser paying for works executed	0.862	0.933	5	
Purchaser's behaviour towards the need for the project	0.803	1.071	34	
<b>Project Manager (with regards to losses/gains in the future)</b>	<b>0.778</b>	<b>1.089</b>		<b>9<sup>th</sup></b>
Number of projects executed by the project manager on regular bases	0.778	1.043	47	
<b>Firms' predictability of future conditions of the market and position of the its finance</b>	<b>0.776</b>	<b>1.871</b>		<b>10<sup>th</sup></b>
Trend of the market (in terms of the market reducing or growing)	0.874	1.205	2	
Number of likelihood profit making projects coming up in future	0.792	1.226	45	
Current financial situation signifying risk in sector in time ahead	0.790	1.084	46	
Relationship between company's existing market total sales to the normal market total sales (share)	0.776	1.154	49	

**Source: Field Survey (2019).**

**Table 4.6: Rankings of Critical Factors influencing where a contractor should bid for project or not (Cont.)**

FACTORS	RII	SD	RANK	RANK PER CATEGORY
<b>Resources available in the region where the project is sited</b>	<b>0.774</b>	<b>1.456</b>		<b>11<sup>th</sup></b>
Qualified human resource available in the region	0.774	1.001	48	
Specified available materials in the region for the work	0.839	1.015	17	
Specified available plants and equipment in the region for the work	0.807	1.106	29	
<b>Project difficulty</b>	<b>0.770</b>	<b>1.620</b>		<b>12<sup>th</sup></b>
Firm not having the required technology to carry out the project	0.837	1.093	19	
Firm executing the same project size before	0.837	1.012	18	
<b>Job (with regards to losses/gains in the future)</b>	<b>0.762</b>	<b>1.115</b>		<b>13<sup>th</sup></b>
Project been able to contribute to the change in company's classification	0.852	1.031	9	
Project been able to contribute to change in company's uniqueness and identification power	0.852	0.974	8	
Project been able to contribute to increase company's market total sales (share) and market supremacy	0.796	1.116	40	
Project been able to contribute in strengthen future relation with people	0.805	1.052	33	
Project been able to contribute in sustaining future relationship with significant markets dominance	0.833	0.912	20	
Project been able to contribute in upgrading company's staff experience	0.806	1.099	32	
Project been able to contribute in entering into advance markets	0.793	1.219	43	
Project been able to contribute company's long-term business because of job done for the public use	0.792	1.225	44	

**Source: Field Survey (2019).**

Participants were asked to rank critical factors contractors consider before deciding to tender for a job. 1 to 5 Likert Scale ranking was used with the aggregate being the RII. The highest aggregated RII was ranked the most critical factor while the least

aggregated RII represented the least critical factor. The ranking of 63 factors (13 main factors and 50 sub-factors) relating to contractor's bid or not to bid decision by respondents are indicated in Table 4.3.

From the table, need for work was overall ranked the number one critical factor among the 13 main factors, with 0.861 RII, sub-factors under work need of the contractor including job workload relative to company capacity, project availability in the market, monetary capability of the firm to undertake the project, necessity of a firm to be in business to pay its workers and workload required in submitting a bid were ranked 41<sup>st</sup>, 37<sup>th</sup>, 16<sup>th</sup>, 36<sup>th</sup> and 38<sup>th</sup> with RII of 0.796, 0.801, 0.839, 0.803 and 0.800 respectfully. Need for work is both internal and external analysis of the firms' environment. The high priority given to company's current financial situation showed that contractors are much concerned about their financial strength when bidding for contract. It suggests that contractors considered their assets and liability and arrive at a conclusion that their current financial position (an internal factor) can help them at least start a job even if mobilisation is not given before deciding to bid for the job.

Contractors main concern for their current financial prowess and the capacity of their firms before deciding on a bid/no bid is much understandable because the construction industry is hugely capital intensive yet very competitive, hence without sufficient financial capital and experienced, skilful staff, contractors are very likely to lose their bids. The current result was affirmed by Krasnokutskaya and Seim (2007) contend that clients are wants bidders with the required financial and human capital to properly executive given projects.



Strength of the firm (also an internal factor) and risk creating job and contract conditions (purely external factors) were both ranked overall second 2<sup>nd</sup> and 3<sup>rd</sup> within all the 13 main factors with RII of 0.817 according but with different standard deviation scores which separated them. Nonetheless, within the sub-factors under the firm's strength, capability of the firm to meet all tender requirements, contractors' assessment of the firm's working capital requirement, availability of required plants and equipment, amount of work to sub-contracted and availability of qualified subcontractors were seen as the most critical factors with RII of 0.884, 0.852, 0.841 and 0.839, suggesting very high effect of such factors on contractors' bidding decision. However, factors such as availability of technical staffs, been familiar with particular project type and availability of specified material suppliers were least important consideration for contractors due to very low RII of 0.750, 0.794, and 0.796.

The outcome suggested contractors' ability to fulfil all conditions associated with a particular tender was the most critical factor affecting decision making in bidding for a project, thus the factor remains critical since all the other internal factors are embedded within. Apart from working cash requirement which obviously should be a bother to every contractor during contract bids due to the capital intensive projects in the industry and subcontracted works which have a direct relation to the company's capacity to handle all the project was also given a higher rank suggesting that contractors cared much about their capacity to execute the contracts they bid for. Familiarity with similar projects, gives contractors the confidence to bid, since past experience helps in advance to estimate the complexity of the project and the expertise needed in its execution (Banaitiene and Banaitis, 2006) was surprisingly given less importance in conjunction with availability of enough qualified technical staff being the least ranked among all the 50 sub-factors. The results may not necessarily mean that contractors do not give

priorities to their past experience and the qualifications of their technical staffs but they may have considered them together when considering their ability to fulfil all tender conditions.

Even though past studies including Banaitiene and Banaitis (2006) confirmed overall significance that the firm's strength plays in deciding whether to bid or not to bid for a project, the ranking of been familiar with particular project type less significant is inconsistent with past studies including Drew and Skitmore (1992); Nirab (2007).

From Table 4.3, it can also be observed that contractors were much concerned about contracts that seemed risky in terms of payment and contract conditions. The payment condition of contracts creating a risky environment and the rigidity of the contract's specifications were major concern for contractors as far as tendering decision is concerned. Respondent rate those two factors as 10<sup>th</sup> and 11<sup>th</sup>respectfully among the 50 sub-factors with RII of 0.850 and 0.841. Nonetheless, all factors under risk creating job and contract conditions were fairly highly ranked. Suggesting that contractors make analysis to see whether they could handle risks associated with contracts' environment before deciding to bid or otherwise. All factors under risk of the project with conditions of contract are external factors therefore out of control of the contractors as such the factors could only be managed, anticipation of its management is in the right direction.

The ranking of risk of the project with conditions of contract as important factors is reflection of happenings in the construction sector in Ghana where projects could be taken from a contractor due to delay, nonetheless as a profit making organisation, its normal for contractors to consider the returns and the means of payment before bidding. The findings did not deviate from that of Drew and Skitmore (1992) even the studies were conducted in different environment.

Profit is of great importance to all profit-making organisations such as construction firms. Hence contract Conditions of the job that add to profit making was given overall 4<sup>th</sup> rank in terms of influence on whether a contractor should tender for a job with RII of 0.809. Nonetheless, contractors considered the volume of work with regards to the tender figure, payment terms of the project, category of job and amount made in past jobs of the same kind as the most critical sub-factors in this category with 21<sup>st</sup>, 3<sup>rd</sup>, 28<sup>th</sup> and 13<sup>th</sup> rankings and RII of 0.830, 0.868, 0.807 and 0.841 respectively. As can be seen from the table, with exception to project type which was ranked at 28<sup>th</sup>, none of the factors in this category was ranked above 21<sup>st</sup>, further indicating the important position that profit holds in the decision to tender by a contractor. High priority given conditions surrounding profit is not very surprising because such findings had been reiterated in similar earlier studies (see Wanous *et al.*, 2003; Nirab, 2007).

Consideration of job uncertainty, competition on the current project, client long-term gain/losses, purchaser and project managers of the job, consideration of future benefits of the consultant firm, foreseeable future market conditions, resources available in the region where the project is sited, job complexity as well as and consideration giving to project long-term gains and losses which are all external factors were ranked 5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup>, 8<sup>th</sup>, 9<sup>th</sup>, 10<sup>th</sup>, 11<sup>th</sup>, 12<sup>th</sup> and 13<sup>th</sup> with RII of 0.807, 0.801, 0.790, 0.786, 0.778, 0.776, 0.774, 0.770 and 0.762 in that order. These nine factors are all external factors that have similar sub-factors but do not directly contribute to profitability nonetheless; they can impact on the image up-lift of the firm and future prospects. Within the sub-factors under the nine main factors, the market trend of the industry and the entire economic outlook, the wish of qualified bidders to tender and be successful in the job, payment history with clients, certainty on completeness of bid documents relating to job specifications, drawings and chats, project been able to add to change firm's

classification, project been able to add to change in firm's uniqueness and identification power, project been able to contribute to increase company's market total sales (share) and market supremacy were seen as critical sub-factors that affect contractors' bidding decision for contracts. The sub-factors ranked 2<sup>nd</sup>, 4<sup>th</sup>, 5<sup>th</sup>, 7<sup>th</sup>, 8<sup>th</sup> and 9<sup>th</sup>respectfully is shown from Table 4.3 and 4. Contrary to this, factors such as relationship between company's existing market total sales to the normal market total sales (share), availability of required labour within the region, number of projects executed by the project manager on regular bases as well as existing financial conditions showing future financial risks were all ranked above 40 with RIIs between 0.792 and 0.776. Indicating contractors did not consider these factors as most important in deciding whether to bid or not for a project.

From the results, obtained in Tables 4.3 and 4, it can be seen that monetary concerns relating to the projects to bid for always remain the top most critical factors for contractors. This ran through all the sub-factors, suggesting that contractors are much concerned about the present monetary returns and the future monetary outcomes of any project they may bid. This may be so because tendering for contracts in Ghana remains expensive as such contractors had to be certain about the returns and their ability to complete the work in case the bid is won before any attempt to bid.

In this case firms with insufficient cash requirement, staff and technological know-how may not risk to bid. This result confirms previous findings, for instance Enshassi *et al.* (2010) insisted contractors refrain from contracts that payment may delay due to future non-availability of funds which may plunge the contractor's firm into debt.

#### 4.4 Causes of Unsuccessful Tendering

##### 4.4.1 by Contractor

**Table 4.7: Ranking of Causes of Tendering Failure**

Variable	Mean	Standard Deviation	Rank
Inability to meet qualification criterion	2.05	1.17	1 <sup>st</sup>
Unsigned/unstamped tender form	2.18	1.23	2 <sup>nd</sup>
Not submitting eligibility documents	2.43	1.24	3 <sup>rd</sup>
Not submitting verification certificates	2.46	1.30	4 <sup>th</sup>
Interchange ability of bid security and bid bond	2.51	1.33	5 <sup>th</sup>
Overpricing/under-pricing against the client's budget	2.79	1.35	6 <sup>th</sup>
Statement of non-association with consultant	2.89	1.36	7 <sup>th</sup>
Not submitting bid security or bond in the appropriate language	3.85	3.32	8 <sup>th</sup>

**Source: Field Survey (2019).**

There are many causes of tender failure in the field of works, using a mean score ranking, eight main causes of tender failure listed in Table 4.9 were given to contractors to rank with the lowest mean score been the highest ranked cause of unsuccessful tendering and vice versa.

Inability to meet qualification criterion had the least score of 2.08, unsigned/unstamped tender form recorded 2.18. This result is consistent with that of Adjei (2014) in a similar research that got 60 percent of the respondents not signing their documents indicating not signing the tender documents was a major cause of failure in the tendering process in the Kwame Nkrumah University of Science and Technology.

Non-submission of eligibility documents including valid water resources works and housing certificate, company's registration certificate, valid procurement certificate, etc. recorded 2.43, non-submission of verification certificates including valid power of attorney, valid labour certificate, valid IRS tax clearance certificate and SSNIT certificate recorded 2.46, interchange ability of bid security and bid bond recorded 2.51.

Overpricing/under-pricing against the institution's budget recorded 2.79. This is also in consistent with Adjei (2014) findings with 47 respondents representing 94 percent indicated that Under/Over pricing against the institutions budget were the cause of unsuccessfulness in the tendering process.

Statement of non-association with consultant recorded 2.89 and non-submission of bid in the appropriate language recorded 3.85.

The scores suggest that in order of predominant causes of unsuccessful tendering, inability of contractors to meet qualification criteria is the highest, followed by unsigned/unstamped tender form, non-submission of eligibility documents, interchange ability of bid bond and bid security, not submitting of verification certificate, non-submission of statement of non-association with consultant, overpricing/under-pricing against client's budget and non-submission of bid in the appropriate language were the main causes of bid failures among contractors.

#### **4.4.2 Causes of Unsuccessful Tendering; Response by Procurement Officer**

Interview was conducted with some heads of procurement agencies in the Tamale Metropolis to corroborate the findings from the contractors. Out of twenty procurement officers interviewed twelve (12) were working the metropolitan, municipal and district

assemblies and eight (8) were with the educational institution. All the twenty interviewed said their institutions existed more than fifteen (15) years. However, sixteen (16) of them are senior member while four (4) are senior officer. Also, sixteen (16) procured between one (1) to ten (10) jobs for their institutions while only four (4) procured between eleven (11) to twenty (20) jobs for his/her institution. This shows that the procurement officers are experience enough to respond to the interview questions. The responses are summarised into two write up since all of them gave similar answers.

The first response; When asked the main causes of unsuccessful tendering, this was what the procurement officers had to say;

*“Oh! There are many causes of bid failure, some are the faults of the contractors, and some may be our fault. At times, tender documents are submitted without the appropriate attached documents. My brother, all what some of these contractors want is to win the contract, some even forget to verify by ceiling their documents with a signature or a stamp. How can you successfully win a contract? But I don’t always blame the contractors. At times, they do not wholly understand the procurement processes and they also do not ask. Sometimes is verification problems such as Tender Form Not Signed, Tender Form Not Stamp, Non Submission of Valid Power of Attorney, Non Submission of Valid Labour Certificate, Non Submission of Valid IRS Tax Clearance Certificate, Non Submission of Valid SSNIT Clearance Certificate. Moreover, not meeting eligibility criteria such as Non Submission of Valid Water Resources Works and Housing Certificate, Non Submission of Company Incorporation Certificate, Non Submission of Company Registration Certificate, Not Submitting Valid Public Procurement Registration Certificate, Non Submission of Valid Environmental Protection Certificate and Statement of Non-Association with Consultant. However, tender*

*security information can also let a tenderer lose a bid such as interchangeability of Bid bond and Bid Security. Sometimes they do Not Submit Bid in the required Language of the consultant, Over Pricing against our budget and Under Pricing against our budget”.*

The second procurement officers had this to say;

“It’s a big issue, some of the contractors are of the opinion that we have taken bribes and as a result, always reject their bids especially the emerging companies but far from it. Can you believe some of them do not contact quantity surveyors or other experts and therefore under price or overprice their bids far beyond our estimations? Definitely such a firm cannot win such a contract because we always look out for value for money and that’s what procurement stands for. More importantly tenders fail due to qualification information such as Non Submission of Value of Construction Works for the required years, Non Submission of Similar Works Performed for each of the required years, Current Workload, Not meeting the List of Plant & Equipment Proposed to Execute Contract, Not Meeting Qualification and Experience of Key Personnel, Non Submission of Financial Standing/Audited Accounts, Inadequacy of Working Capital/Access to Lines of Credit, Non Submission of Authority to seek References from Tenderer’s Bankers, Non Submission of Information on Litigation Status for the required years, Non Submission of Information on Litigation Status for the required years and Non Submission of Works Programme (Method & Schedule, Drawings, Charts)”.

From the interview conducted with the procurement officers, it can be deduced that the causes of unsuccessful tendering follow a pattern of negligence on the part of the contractors that resulted in their inability to submit the needed valid documents including eligibility, verification and qualification information to support their bids.



Hence, it can be concluded that the main cause of tender failure is inability of contractors to properly fill their tender documents and attach to them the valid documents. The findings from the interview are consistent with that of the contractors. The finding further corroborate Lowe and Parvar (2004) study that posit that many bids of contractors are mostly rejected due to lack of due diligence in filling and submitting tender documents.

#### **4.5 Effects of Tendering Failures by Contractors**

Using mean scores, contractors were asked to rank seven effects of unsuccessful tendering listed in Table 4.10 on their firms. The highest mean score represents the highest ranked effect whereas the lowest mean score represents the least effect on contractors. Company's high indebtedness to borrowers were found to be the highest ranked effect with a mean score of 4.28, followed by waste of resources (both time and money) with a mean score of 4.17, followed by business collapse with a mean score of 4.13 and job insecurity/unemployment with a mean score of 3.90. Unsuccessful tendering serving as a lesson towards the bettering of subsequent tendering application was ranked 5<sup>th</sup> with a means core of 3.80, followed by loss of reputation which had a mean score of 3.61 while demotivation for subsequent projects bid was the least ranked with a mean score of 3.58.

In order of effects, the results showed that unsuccessful tender leaves companies with huge debts, resources both time and money are wasted, firms are collapsed, it leads to job insecurity/unemployment, lessons learnt can help better the chances of winning subsequent project bids, loss of reputation and demotivation for subsequent projects. The findings further suggest that unsuccessful tender has both positive and negative effects on contractors even though the negative effects far outweigh that of the positive.

The findings are consistent with previous studies (Bageis & Fortune, 2009; Adjei, 2014) that contend that unsuccessful tendering can impact negatively on firms' liquidity and reputations.

**Table 4.8: Mean ranking of Unsuccessful Tendering Effects**

<b>Variable</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Rank</b>
Company' high indebtedness to borrowers	4.28	1.18	1 <sup>st</sup>
Waste of resources (time & money)	4.17	1.21	2 <sup>nd</sup>
Unsuccessful tendering leads to collapse of businesses	4.13	1.277	3 <sup>rd</sup>
Job insecurity/unemployment	3.90	1.30	4 <sup>th</sup>
It serves as a lesson towards the bettering of subsequent project bids	3.80	1.31	5 <sup>th</sup>
Loss of reputation after unsuccessful tender	3.61	1.33	6 <sup>th</sup>
Demotivation for subsequent projects bid	3.58	1.37	7 <sup>th</sup>

**Source: Field Survey (2019).**

## **CHAPTER FIVE**

### **RECOMMENDATIONS AND CONCLUSION**

#### **5.1 Introduction**

The research sought to identify the factors that contractors consider before responding to bid or not to bid for a project in Public Procurement on tenderers at the Tamale Metropolis, hence the objective of the research is seen in chapter one. Chapter two which followed suit discussed into details the literature work of other similar works on tendering process, factors affecting the bidder's tendering decision and causes of unsuccessful tendering. Offered in the third Chapter was the methodological approach for the study. Through Survey questionnaires, data were retrieved. Chapter four analysed and discussed into details the data collected. Chapter five outline the findings taking into consideration achievement of the study aim as well as the objectives. Study limitations are presented and recommendations made for future studies in the format below:

- Summary of findings;
- Review of the research objectives;
- Contribution to knowledge and industry;
- Recommendations;
- Direction for future research; and
- Study limitations;

#### **5.2 Findings of the Study**

- Hundred and eleven (111) questionnaires were administered to contractors and 5 procurement officers were interviewed and one hundred and two (102) retrieved from Contractors all from registered and operational building

construction firms working on practicing their profession in the Tamale metropolis.

- From chapter 4.2, 74.5% of the total respondents, representing 76 of them reported that their client base cuts across both public and private sphere. 15.7% of the contractors, representing 16 respondents reported that they solely deal with public clients. 10 contractors engaged in the study said that they only deal with private clients. This represents 9.8% of the total response.
- From Table 4.2 in chapter four, a larger percentage thus 55.9% which represents 57 of the respondents engaged use both Borrowing and Internally Generated Revenue as mean of pre-financing their project. Following this, 36.3%, representing 37 of the respondents agreed that they use only Internally Generated Revenue to pre-finance their project upon winning. Only four (4) of the respondents use only borrowing as a source of pre-financing their project. This represents 3.9%.
- From Figure 4.2, 24.5% which is the highest percentage representing nineteen (25) respondents reported that, they submitted 31-40 tenders and the success rate was 40%. Followed was 20.6% of two respondents' groups representing twenty-one (21) in number were found to have submitted 21-30 and 31-40 tenders, and the success rate was 14.2% and 61.9% respectively. Twenty-four (24), representing 23.5% of the total respondents agreed that, they had submitted more than 40 tenders that had success rate of 41.6%. less than eleven (11) of tenders were submitted by 11 respondents had success rate of 27.3%.
- Out of the total of one hundred and two (102) responses, 38 respondents representing 37.3% agreed that, they had spent more than GHC30000 on tendering from the year 2013-2018. Thirty-two (32) representing 31.4% of the

respondents agreed that, they spent an amount ranging from GHC20001-GHC30000 from the year 2013 to 2018. Nineteen (19), representing 18.6% of the respondents said they had spent an amount of GHC10001-GHC20000 only on tendering in the year range mentioned above. The detail can be seen on Table 4.2

- Table 4.1 shows the experience of the construction firms. Twenty-nine (29), representing 28.4% and the largest portion of the total firms had above twenty years of experience in construction works. Twenty-two (22) representing 21.6% and the second largest proportion of the total respondents had between 11-15 years of experience working in construction industry. Twenty-one of the respondents reported that they had 16-20 years in terms of working experience, representing 20.6% of the total participants. Nineteen (19), representing 18.6% of the respondent reported that they had 6-10 years where as eleven (11) of the total respondent agreed they had less than 6 years' in the construction sector.

### **5.2.1 Critical Factors influencing bidding decision of the Main Contractors**

After the analysis from Table 4.3 thus critical factors influencing bidding decision of the Main Contractors, the results showed that out of 13 main factors, the study discovered the six major most popularly known factors needed to be considered by the contractors in deciding whether to bid or not to bid for projects in the Tamale Metropolis. They are as follows:

#### **5.2.1.1 Need for work**

The research finds out that the first most important factor is the work need of the contractor. "Work need for contractors" had highest RII of 0.861 which shows a very

important decision factor. The Likert scale shows that 5 = very important. The standard deviation, which is a reflection of the mean value for “Contractor’s Need for Work”, the result acquired was **0.712**, shows value is getting to 5 signifying an important decision making factor.

Contractor’s need for work is determined by recent work load of project relative to company capacity, project availability in the market, monetary capability of the firm to undertake the project, necessity of a firm to be in business to pay its workers and workload required in submitting a bid determines whether a company will bid for a project or not. Odusote and Fellows (1992) research also identified financial capabilities to execute the work as one of the most critical factors to be considered before bidding for a project. Construction companies should always have working cash or capital to execute the project before the decide bid for a project for some of the projects do not come with mobilization.

#### **5.2.1.2 Strength of the firm**

The second significant factor is firm’s strength. The strength of the firm is determines by capability of the firm to meet all tender requirements, monetary capability of the company carry out the work, been familiar with particular project type, having the required professionals to executed the work, having the required tools and machinery to execute the work, possessing subcontractors required for the work, possessing material suppliers required for the work, work section that needed to be Sublette with regards to the total work and equipment to be hired with respect to hiring rates at the time of executing the project. Most of the respondent agreed that when a company does not have plants and equipment and will only depend on hiring with unstable market conditions will end up influencing project cost. However, Contractor Union in Tamale

(CUT), asserted to the fact the without appropriate staff in place to do the work it is not advisable to bid for a particular job. It is therefore important to meet all the requirements in the tender conditions to enable one to successfully bid for a project.

#### **5.2.1.3 Risk of the project with conditions of contract**

Third most important factor among the thirteen (13) major factors is risk of the project with conditions of contract. Factors influencing risk of the project with conditions of contract includes inflexibility of specification, reasonable duration for execution of the said project, liquidated and ascertained damages attached to the project conditions, payment conditions of the project and enough duration for preparing bid documentations. The contractors in Tamale Metropolis response to this factor as one of the most critical factor is similar to that of the Shash (1993) who said that amount place as liquidated and ascertained damages should be an important factor to determine whether a one should bid or not. Risk of the project with conditions of contract as an important factor in project selection was also supported by Egemen and Mohamed (2007) who discover sub-factors influencing the main factor as significant since start up contractors does not have much capacity to handle risks throughout construction period. Contractors are to consider the risk and contract conditions of any job in the decision making process.

#### **5.2.1.4 Conditions of the job that contribute to profit making**

Forth significant factor is conditions of the job that contribute to profit making. The sub-factors are volume of work with relating to the tender figure. Most contractors look at the value of project before tendering. If the value of the value of the project is huge most of them will tender for it but if the value if small they will not tender for such a

project. Also, payment terms of the project, category of job and amount made in past jobs of the same kind. Most of this contractors' relay on profit they will get in a project before bidding. Odusote and Fellows (1992) and Shash (1993) confirm project profitability as a critical factor in bidding for project among UK contractors. Rigid terms of payments in the tender conditions are affecting contractors bid/ not bid decision in Tamale. Some projects come with a condition of executing the project to 30% complete before payment. Most of the contractors do not have current cash to execute such works. Payment terms should therefore be flexible and if possible contracts should come with mobilization to help completion of within schedule.

#### **5.2.1.5 Job uncertainty**

Job uncertainty is fifth significant factor in decision making process by contractors in the Tamale Metropolis. Job uncertainty is influence by unreliability with regards to site conditions of the project and tender documents fully prepared without any missing information. Uncertain with construction site conditions include employees conflict, equipment and tools failure, irregular site conditions, bad weather conditions, flooding, among others need to be considered when tendering for a project. When the information in the bidding document is not adequate it makes it difficult for bidders to respond accurately to the client. This creates miscommunication between contractors and clients thereby making implementation of the project too difficult. These can possible lead to high project variations. Job uncertainty was also ranked fourth among Saudi Arabia firms in a researched conducted by (Odusote and Fellows, 1992; Shash, 1993; Chua and Li, 2000).



#### **5.2.1.6. Competitiveness for the project**

Competitiveness for the project is ranked sixth significant factor rated among contractors in Tamale Metropolis. This factor is affected by many qualified contractors tendering for the project and wish of qualified bidders to tender and be successful in the job. When contractors who are well established in the construction industry in terms of labour, equipment, plants and materials are competing with less established companies for a particular job, the less qualified contractors turn not to bid for the project. When competing with more qualified competitors for the same project, contractors needed to meet all qualification criteria in terms of tender conditions.

Aside the major factors, the study also discovered that the capability of the firm to meet all tender requirements, trend of the market (in terms of the market reducing or growing), payment terms of the project, the wish of qualified bidders to tender and be successful in the job, past records of purchaser paying for works executed, monetary capability of the company carry out the work, the tender documents fully prepared without any missing information, project been able to contribute to change in company's uniqueness and identification power, project been able to contribute to the change in company's classification and payments criterion for the job are the ten most critical sub-factors for contractors to consider before bidding.

#### **5.2.2 Causes of failures in tendering for works**

Objective two identified the predominant causes of tender failures for works in the Tamale Metropolis and discovered the following:

#### **5.2.2.1 Inability to meet qualification criteria**

According to Table 4.7, prominent as a cause of tendering failure was “*Inability to meet qualification criterion*” which was ranked first by respondents with a value mean of 2.05 and Standard Deviation of 1.17. The research found out that most of the causes of failures in tendering for works contracts are as a result of the contractor not meeting qualified criteria of the project tendered for. The qualification criteria includes non-submission of value of construction works for the required years, non-submission of similar works performed for each of the required years, current workload (thus details of works underway or contractually committed), not meeting the list of plant and equipment proposed to execute the contract, not meeting qualification criterion, non-submission of financial standing/audited accounts, Inadequate working capital/access to lines of credit, non-submission of authority to seek references from tenderer’s bankers, non-submission of information on litigation status for the required years, non-submission of information on litigation status for the required years and non-submission of works programme (method and schedule, drawings, Charts, etc). This shows respondents agreement to how often this is encountered in the evaluation of tenders. This however leads to disqualification of most bidders for works in the Tamale Metropolis.

#### **5.2.2.2 Unsigned/unstamped tender form**

Another major cause of failure, which is also second ranked, is that most tenderers mistakenly, do not sign or stamped the tender form. The tender form if not sign or stamped does not validates that the tendering is standing by his or he tender figure. This is a clear ground that most tenderers are disqualified in the tendering process in the Metropolis.

#### **5.2.2.3 Non-submission of eligibility documents**

Another cause of failure in tendering for works is non-submission of eligibility documents. These documents include Valid Water Resources Works and Housing Certificate, Company Incorporation Certificate, Company Registration Certificate, Valid Public Procurement Certificate, Valid Environmental Protection Certificate and Public Procurement Registration Certificate. When any of these documents are not submitted and they are required, the contractor will final be disqualified from the bidding process.

#### **5.2.2.4 Non-submission of verification certificates**

According to both the contractors and the procurement officer's failure to submit verification certificates will amount to disqualification of such tenderer. These include not submitting Valid Power of Attorney, Valid Labour Certificate, Valid Tax Clearance Certificate and Valid Social Security and National Insurance Trust (SSNIT) Clearance Certificate.

#### **5.2.2.5 Interchange ability of bid security and bid bond**

Tenderers do not take their time in reading the tender document to know what is required of them to submit. Some of them interchange bid security and bid bond which result in disqualification. Similar finding was made by Adjei (2014) that most tenderers for goods at Kwame Nkrumah University for Science and Technology fail during tendering process because the interchange bid security for bid bond and the vice versa.

#### **5.2.2.6 Overpricing/under-pricing against the institution' budget**

The contractors sometimes submit a quotation with a higher value beyond the client's budget sometimes leads to disqualification of the contractor. Also, if the contractors' quotations are unrealistic low and can lead to disqualification of the said contractor. The contractors should do market survey before pricing the tender documents to prevent this failure.

#### **5.2.2.7 Non Submission of Statement of non-association with consultant**

Sometimes contractors are failed in the tendering process because of not submitting statement of non-association with consultant.

#### **5.2.2.8 Non-submission of bid in the appropriate language**

Contractors and procurement officers' also said that the tender securities submitted are not always in the required language or format stated in the tender document. This sometimes leads to failure of tenderers in the bidding process.

### **5.2.3 Effects of unsuccessful tendering on tenderers**

Objective three identified the effects of unsuccessful tendering on contractors. With regards to the effects of tendering failures by contractors, seven (7) variables were listed. The analysis indicated that; the common effect of failure in tendering is "*Firm's high indebtedness to borrowers*". Company' high indebtedness to borrowers had the highest factor loading of mean score of 4.28 and the least Standard Deviation of 1.18 which shows a very important effect on the contractor. This was followed by *Waste of resources (time & money)* with a mean score of 4.28 and a Standard Deviation of 1.21, a clear suggestion of the importance of the effect on contractors.

### **5.3 Review of Research Objectives**

As indicated in Chapter One of the research, the overall aim of study is to identify the factors that contractors consider before bidding for a project at the Tamale Metropolis. To achieve this aim, three objectives were obtained. The objectives are achieved in following sections.

#### **5.3.1 Review of Objective One**

Objective one was *to come out with factors that contractors consider most critical in bidding decision making process in Tamale Metropolis;*

In order to explore the critical factors other research works were review on the topic to come up with prominent decision making factors. In all thirteen (13) main factors (which has subsidiary variables) were noted. Contractors rank the thirteen (13) factors in order of importance and familiarity through a survey. Data from the field was analysed using Relative Importance Index. The RII and Standard Deviation scores of all the one hundred and two (102) participants were calculated for all the critical factors. The research finds out that the need for work by the construction company which include recent work load of project relative to company capacity, project availability in the market, monetary capability of the firm to undertake the project, necessity of a firm to be in business to pay its workers and workload required in submitting a bid determines whether a company will bid for a project or not. Odusote and Fellows (1992) who also identified financial capabilities to execute the work as one of the most critical factors to be considered before bidding for a project. Construction companies should always have working cash or capital to execute the project before the decide bid for a project for some of the projects do not come with mobilization.

### **5.3.2 Review of Second Objective**

Objective of the study is *to identify causes of failures in tendering for works*;

In order to explore the causes of failures in tendering for works in the construction sector in the Tamale Metropolis, other research on the topic was reviewed to identify prominent failure causes. In all eight (8) variables were noted. Participants ranked causes of tender failures for works in the Tamale Metropolis according to the level of severity through a survey. The failure causes were subjected to mean score ranking for analysing the data. The research found out most causes of failures in tendering for works contracts include the contractor not meeting qualified criteria of the project tendered for. The qualification criteria includes non-submission of value of construction works for the required years, non-submission of similar works performed for each of the required years, current workload (thus details of works underway or contractually committed), not meeting the list of plant and equipment proposed to execute the contract, not meeting qualification and experience of key personnel proposed for the work, non-submission of financial standing/audited accounts, Inadequate working capital/access to lines of credit, non-submission of authority to seek references from tenderer's bankers, non-submission of information on litigation status for the required years, non-submission of information on litigation status for the required years and non-submission of works programme (method and schedule, drawings, Charts, etc). This however leads to disqualification of most bidders for works in the Tamale Metropolis.

### **5.3.3 Review of Third Objective**

Objective *identified effects of unsuccessful tendering on contractors;*

Objective three identified the effects of unsuccessful tendering on contractors and found out that companies' huge indebted to borrowers, waste of companies' resources both monetary and non-monetary and the collapse of firms thereby rendering employees unemployed and job insecure are the critical effects of tender failure on tenderers in the Tamale Metropolis.

### **5.4 Contribution to Knowledge and Industry**

This research has contributed to both knowledge and industry in diverse ways. These are outlined below:

- This research has unearthed the Factors that contractor's need to consider in bidding decision making process in the Tamale Metropolis; and
- The research has brought to light the various causes of failures of tendering of works in the Tamale Metropolis of Ghana.

### **5.5 Recommendations**

From the above findings, the researcher derived the under listed recommendations to bidders' tender for winnable projects:

- Contractors before tendering for works contract should first assess to see whether the company need such work in terms of the job workload relative to company capacity, project availability in the market, monetary capability of the firm to undertake the project, necessity of a firm to be in business to pay its workers and workload required in submitting a bid. However, company should consider its strength, conditions of the job that contribute to profit making,

project unreliability, project difficulty and risk of the project with conditions of contract before tendering for winnable contracts.

- Critical success criteria for submitting a successful tender document should be developed by procurement entities for all construction contractor to be able to determine whether they should bid for a construction project or decline in bidding.
- To ensure competitive bidding by construction contractors, Public Procurement Authority (PPA) through the various procurement units of procurement agencies should work to ensure that tendering procedure becomes less cumbersome with understandable specification conditions and less expensive process. This may help ensure that emerging firms are able to bid with the hope of winning;
- The study recommends that in order to minimise mistakes in tender application that lead to bid rejections, the Public Procurement Authority together with the association of building and road contractors and the metropolitan, municipal and district assemblies should organise periodic training for contractors. The focus of the training should be on tendering application processes, the needed supporting documents, the budgeting and how they could properly be done. Resource persons should be brought in to facilitate the training. This may help equip contractors especially new firms with the needed knowledge to properly bid for contracts with much confidence; and
- To minimise tender failure effect, the study recommends that contractors that do not have the requisite knowledge and human capital to prepare a good tender application should outsource experts from consulting firms and experienced contractors to help them. These experts may be able to help provide the needed



verification and authentication supporting documents in addition to reasonable budgets thereby enhancing the firm's chances of winning contracts.

### **5.6 Recommendation to Future Research**

For future research, these outlined recommendations have been proposed;

- Critical Success Criteria for Submitting a Successful Tender Document.

### **5.7 Research Limitation**

Although the report managed in the achievement of its objectives, some limitations were evident as:

- Obtaining data on the respondents used for the study due to the strict confidentiality attached to their database. However, the research provided assurance that such information was required for academic work only and it will be very confidential;
- Difficulty in getting respondents since some had busy schedules, so retrieving the questionnaires was quite difficult.

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## **APPENDIX**

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**COLLEGE OF ART AND BUILT ENVIRONMENT**  
**DEPARTMENT OF CONSTRUCTION TECHNOLOGY AND MANAGEMENT**

Dear Sir/Madam,

**QUESTIONNAIRE SURVEY: FACTORS AFFECTING THE MAIN  
CONTRACTORS BID/ NO BID DECISION MAKING PROCESS IN TAMALE  
METROPOLIS.**

I am currently undertaking a study aim at identifying the Factors affecting Main Contractors Bid/ No Bid Decision Making Process in Tamale Metropolis.

In addressing the stated aim, I am conducting a questionnaire survey to solicit information from contractors in Tamale Metropolis. This research will help contractors become aware of the factors which need to be considered when they intend to bid for different projects. This research will also provide the information that would be used by any company to create a competitive bidding strategy.

This study is solely for academic purposes and your responses will be treated as **STRICTLY CONFIDENTIAL**. Participating Contractors and procurement officers will be provided with the findings of the study upon request.

I would like to thank you for accepting to assist and cooperate towards this study.

Yours Sincerely,

**AJONGBA DESMOND MALACHI**

MSc Researcher

Email – [dajongba@gmail.com](mailto:dajongba@gmail.com)

Tel: 0248004661/0203039930

## QUESTIONNAIRE FOR TENDERING FIRMS

### Part A: Background of Firm

Please tick (✓) or fill in the spaces provided

1. When was your firm/company established?
  - a) 0 – 5 years ( )
  - b) 6- 10 years( )
  - c) 11- 15 years ( )
  - d) 16 – 20 years ( )
  - e) 21 years and above( )
2. Is your firm legally registered?
  - a) Yes ( )
  - b) No( )

### Part B: Tendering History of Firm

1. Who are the main clients from which your firm tender for projects/ works?
  - a) Private ( )
  - b) Public( )
  - c) Both Private and Public( )
2. How many tenders has your firm submitted over the five years?
  - a) 1-10 ( )
  - b) 11- 20 ( )
  - c) 21- 30 ( )
  - d) 31-40 ( )
  - e) More than 40( )
3. How many of these tenders submitted were successful?
  - a) 1-10 ( )
  - b) 11- 20 ( )
  - c) 21- 30 ( )
  - d) 31-40 ( )
  - e) More than 40( )



4. Please state the highest and lowest amounts spent by your firm on tendering over the past five year:
- a) GH¢ 5,000 – 10000 ( )
  - b) GH¢10000 – 20000 ( )
  - c) GH¢ 20000- 30000 ( )
  - d) GH¢30000 and above ( )
5. How does your firm finance the cost of preparing and submitting tenders?
- a) Internally generated revenue ( )
  - b) Borrowing ( )
  - c) Borrowing and internally generate revenue ( )
  - d) Other source (specify): .....

### Part C: Factors affecting the bid/ no bid decision making process

How important do you think the following factors affect the bid/ no bid decision making process of your company? (Please rate the factors by using 1 to 5 score. 1: not important; 2: slightly important; 3: fairly important; 4: important; 5: very important.

Factors affecting the bid/ no bid decision making process	Levels of importance least → most				
	1	2	3	4	5
<b>Work Need of Contractor</b>					
1. Job workload relative to company capacity					
2. Project availability in the market					
3. Monetary capability of the firm to undertake the project					
4. Necessity of a firm to be in business to pay its workers					
5. Workload required in submitting a bid					
<b>Company's strength</b>					
6. Capability of the firm to meet all tender requirements					
7. Monetary capability of the company carry out the work					
8. Been familiar with particular project type					
9. Having the required professionals to executed the work					
10. Having the required tools and machinery to execute the work					
11. Possessing subcontractors required for the work					
12. Possessing material suppliers required for the work					
13. Work section that needed to be Sublette with regards to the total work					
14. Equipment to be hired with respect to hiring rates at the time of executing the project					
<b>Conditions of the job that contribute to profit making</b>					
15. Volume of work with regards to the tender figure					
16. Payment terms of the project					
17. Category of job					
18. Amount made in past jobs of the same kind					
<b>Project unreliability</b>					
19. Unreliability with regards to site conditions of the project					
20. The tender documents fully prepared without any missing information					
<b>Project difficulty</b>					
21. Firm not having the required technology to carry out the project					
22. Firm not having the required technology to carry out the project					
<b>Risk of the project with conditions of contract</b>					
23. Inflexibility of workmanship and materials required for the Project					
24. Enough period required to execute the project					
25. Liquidated and ascertain damages on the job					

26. Payments criterion for the job					
27. Enough time for preparing and submitting of bid					
<b>Purchaser and project managers of the job</b>					
28. Ability of the client to finance the project					
29. Past records of purchaser paying for works executed					
30. Purchaser's behaviour towards the need for the project					
<b>Resources available in the region where the project is sited</b>					
31. Qualified human resource available in the region					
32. Specified available materials in the region for the work					
33. Specified available plants and equipment in the region for the work					
<b>Competitiveness for the project</b>					
34. Many qualified contractors tendering for the project					
35. The wish of qualified bidders to tender and be successful in the job					
<b>Firms' predictability of future conditions of the market and position of the its finance</b>					
36. Trend of the market (in terms of the market reducing or growing)					
37. Number of likelihood profit making projects coming up in future					
38. Current financial situation signifying risk in sector in time ahead					
39. Relationship between company's existing market total sales to the normal market total sales (share)					
<b>Purchaser (with regards to losses/gains in the future)</b>					
40. Number of projects executed by the client on regular bases					
41. Number of repeated projects the purchase have been undertaken					
<b>Job (with regards to losses/gains in the future)</b>					
42. Project been able to contribute to the change in company's classification					
43. Project been able to contribute to change in company's uniqueness and identification power					
44. Project been able to contribute to increase company's market total sales (share) and market supremacy					
45. Project been able to contribute in strengthen future relation with people					
46. Project been able to contribute in sustaining future relationship with significant markets dominance					
47. Project been able to contribute in sustaining future relationship with significant markets dominance					
48. Project been able to contribute in entering into advance markets					
49. Project been able to contribute company's long-term business because of job done for the public use project to the public					
<b>Project Manager (with regards to losses/gains in the future)</b>					
50. Number of projects executed by the project manager on regular bases					

**Part D: Causes of unsuccessful tendering from contractor's view**

1. Which of the factors do you think have contributed to the failure of your last tender?

Using the Likert scale of 1-5 answer the following questions

Scale: 1= Very always, 2= Often, 3= Sometimes, 4= Seldom, 5= Never

<b>CAUSES OF UNSUCCESSFUL TENDERING</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Interchange ability of bid security and bid bond					
Inability to meet qualification criterion					
Inability submission statement of non-association with consultant					
Non-submission of eligibility documents such as Company Incorporation Certificate, Company Registration Certificate, Valid Public Procurement Certificate and Valid Environmental Protection Certificate					
Overpricing/under-pricing against the institution' budget					
Non-submission of verification certificates					
Non-submission of bid in the appropriate language					
Unsigned/unstamped tender form					

2. Please indicate if there are other factors you think have contributed to the failure of your last tender

1.
2.
3.
4.
5.

### Part E: Effects of unsuccessful tendering from contractor's view

1. What are the effects of unsuccessful tendering on your firm?

Using the Likert scale of 1-5 answer the following questions

Scale: 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5=Strongly Agree

EFFECTSOF UNSUCCESSFUL TENDERING	1	2	3	4	5
Company's high indebtedness to borrowers					
Loss of reputation after unsuccessful tender					
Waste of resources (time & money)					
Unsuccessful tendering leads to collapse of businesses					
It serves as a lesson towards the bettering of subsequent project bids					
Job insecurity/unemployment.					
Demotivation for subsequent projects bid					

2. Please indicate if there are other effects of unsuccessful tendering to the works contractor.

1.
2.
3.
4.
5.

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AJONGBA DESMOND MALACHI

MSc Researcher

Email – [dajongba@gmail.com](mailto:dajongba@gmail.com)

Tel: 0248004661/0203039930

**INTERVIEW QUESTIONNAIRE FOR PROCUREMENT OFFICERS**  
**CAUSES OF UNSUCCESSFUL TENDERING FROM PROCUREMENT**  
**OFFICERS' VIEW**

**PART A**

**Profile of Respondents**

**Please tick (✓) or fill in the spaces provided**

**Part A: Background Information**

Type of institution .....

1. Number of years of existence?
  - a) 1 – 5yrs ( )
  - b) 6 – 10yrs ( )
  - c) 11 – 15yrs ( )
  - d) More than 15yrs ( )
  
2. What is your Staff Status?
  - a) Junior Staff ( )
  - b) Senior Staff ( )
  - c) Senior Member ( )
  
3. Number of projects procured for your firm/institution?
  - a) 1 – 10 ( )
  - b) 11 – 20 ( )
  - c) 21 – 30 ( )
  - d) More than 30 ( )

**PART B: Causes of Tendering Failures**

What are the main factors contributed to failure of the bid of tenderers for works in Tamale Metropolis?

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