

Qualifications-Based vs. Low-Bid Contractor Selection

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SUMMARY

Every owner should understand the different contractor selection methods available to them before entering into a contract. Two of the most popular contractor selection methods are low-bid and qualifications-based. In the low-bid method, the owner chooses a contractor based on the bottom line; the lowest bid earns the contract. The qualifications-based method allows the owner to choose a contractor based much more upon the contractor's qualifications, experience, and perhaps most importantly, reputation.

TWO SELECTION METHODS

These two contractor-selection methods differ significantly in process for the owner. More important, they can generate quite different results. An architect should educate his or her clients about the contractor selection methods so the client can make the most informed decision. Since both methods potentially affect the level of service, it is only fair to explain the choice of methods in advance.

LOW-BID SELECTION

An owner who selects a contractor using the low-bid method should be aware of several possible consequences. First, the competitive bidding process assumes that all firms (including general contractors, subcontractors, and material suppliers) bid the work as cheaply as the designer's specifications and drawings can reasonably be interpreted. This often-unrecognized fact can influence the quality of construction tremendously.

Unfortunately, some bidders may consider possible flaws or discrepancies in the drawings and specifications to be future change orders. Less reputable companies may attempt to make up "lost costs" from being the low bidder through change orders. Remember, no one else was willing to perform the work as cheaply as the low-bidder. This process often positions the contractor into an adversarial role with the owner and the architect before construction even begins.

Second, a common misconception among laymen is that professional drawings and specifications automatically guarantee that each contractor must or will provide the identical results as every other bidder, and that those eventual results will be according to the owner's expectations. All too often, architects are reluctant to admit that nothing could be further from reality. First-rate drawings are still only representational at best. Yes, on small and extremely simple projects that are thoroughly and accurately drawn, detailed, and specified, identical results may be attainable, at least in theory. As the complexities increase, however, differing interpretations and results increase exponentially.

So regardless of the accuracy or completeness of the specifications and drawings, the complexities of the project and distinctions between contractors and subcontractors guarantee that no two contractors will provide identical results. This in itself might suggest a method to avoid.

Finally, without a contractor's input during design, the eventual low-bid amount remains unknown until the design is completed and bid. So the owner and architect must uneasily wait until the design phase and bidding phases are completed before they know whether their project was designed on budget, under budget, or, as is too often the case, over budget—this is still before any change orders surface.

QUALIFICATIONS-BASED SELECTION

Yes, of course, every contractor is in business to make a profit—and must do so to remain in business. Aside from producing the essential earnings, though, in this method the honest contractor's basic motivation is to serve and satisfy the owner and to help realize the owner's budgetary and functional needs rather than simply minimizing the low-bid contractor's costs at almost any expense. Accordingly, selecting a contractor based upon credentials, reputation, and recommendations ultimately allows the owner to have more input and control over costs—and the architect to have more control over project design.

Perhaps most important, the contractor can be selected to team with the owner and architect to provide accurate cost estimating, value-engineering and other technical construction expertise throughout the design phase. The contractor joins the architect as a vital team player benefiting the owner's design team rather than as an adversary from being the low-bidder. The contractor can provide value-added technical input during both the design and construction phases. Many architects have learned that this methodology more often results in the lowest *final costs* to the owner because the contractor's input can help maximize cost-effective design. When the design is completed, it is known that the project has been designed on budget and with maximum value to the owner.

In conclusion, a contractor who knows that future work may be earned based upon their service, performance, reputation, and final results rather than their skill at providing the cheapest possible solution is a contractor that will deliver a successful project to a satisfied owner. Contractors that depend on reputation and qualifications-based selections are focused on satisfying their customers.

About the Contributor

R. Scott Sandquist, AIA, is co-owner of Sandquist Construction & Development, a well-established general contracting firm in Lincoln, Neb., since 1980. The firm focuses primarily on private commercial work in both negotiated and select competitive-bid methods. The firm boasts that 92 percent of its projects during the last five years are repeat clients.

RESOURCES

More Best Practices

The following AIA Best Practices provide additional information related to this topic:

- 12.01.01 Alternative Service Delivery Methods
- 17.04.02 Strategies for Negotiating Fees

For More Information on This Topic

See also "Project Delivery Options," by Philip G. Bernstein, FAIA, *The Architect's Handbook of Professional Practice*, 13th edition, Chapter 10, page 257.

See also the 14th edition of the *Handbook*, which can be ordered from the AIA Bookstore by calling 800-242-3837 (option 4) or by email at bookstore@aia.org.



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Key Terms

- Practice
- Project administration
- Project delivery systems
- Negotiated contractor selection

