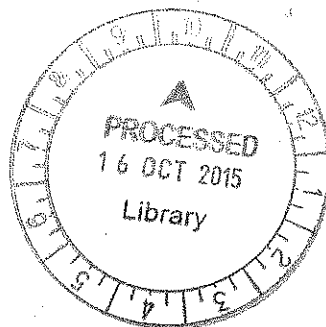


APPLICATION OF E-TENDERING IN MALAYSIA CONSTRUCTION INDUSTRY

FOR REFERENCE ONLY

BY

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TA
LPS
JEP
2015

This report is submitted as a partial requirement for the degree
of

**Bachelor of Science (Hons) in Quantity Surveying
Faculty of Science, Technology, Engineering and
Mathematics**

INTI INTERNATIONAL UNIVERSITY

(April 2015)

ACKNOWLEDGEMENT

I owe a great thanks to all the people who help me in completing this dissertation. I would like to take this opportunity to express my sincere gratitude.

First, I would like to express my gratitude and heartfelt thanks to my supervisor, Miss Suhaida for supporting and guiding me throughout this journey. Her advice, encouragement and comments along the journey did help me in reducing my stress. With her guidance, I manage to carry out the research smoothly and complete the project.

Besides that, I would like to express my sincere appreciation to all the respondents for questionnaire for spending their precious time to answer the questionnaire. Without their co-operation, I would not able to complete this project successfully. My sincere thanks also go to lectures and friends who helped when I faced difficulties throughout the whole research. I sincere appreciate their support and guidance.

Last but not least, my profound gratitude extended to my family for their financial support and mental support throughout the journey.

DECLARATION BY THE CANDIDATE

I (JEFFREY TAN JIA REN, I13002480) confirm that the work in this report is my own work and the appropriate credit has been given where references have been made to the work of other researchers.



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ABSTRACT

Electronic tendering has been assumed to be a more effective method compare with traditional tendering method. However, most of the local projects are still adopting traditional tendering method. The aim of this study is to investigate whether the contractors in Malaysia construction industry would adopt and participate in e-tendering system. The study will takes into account the application of e-tendering in current Malaysia construction industry, the challenges of implementing e-tendering system and willingness of the contractors to participate in e-tendering. The research used online questionnaire survey to identify the level of understanding about e-tendering system of contractors in Malaysia and also whether the contractors involved in the application of e-tendering in Malaysia. The result shows that the application of e-tendering is in moderate level in current Malaysia construction community. Majority of the contractors have moderate understanding regarding e-tendering system and more than half of them having experience with e-tendering. The challenges of e-tendering system were also evaluate. There are several challenges for example resistance to change, lack of knowledge, high maintenance cost, high initial cost, poor reliability, lack of business relationship, security concern, and legal issues. Through questionnaire, the contractors have been asked to rank the challenges based on their opinions or experiences in the industry. Poor reliability, security concern and resistance to change have the highest ranking among all the challenges. Contractor's willingness to adopt e-tendering was also evaluated. Most of the contractors are willing to involve if they are invited to participate in the e-tendering project. Saving in storage space is one of the biggest factors which contribute to the contractors' willingness to participate in e-tendering. In other hand, security concern is the most important factor contributes to contractors' unwillingness in the participation of e-tendering.

ABBREVIATIONS

CIDB	Construction Industry Development Board
CRC	Cooperative Research Centre
ICT	Information and Communication Technology
IT	Information Technology
NeTI	National e-tendering Initiative
PAM	Pertubuhan Akitek Malaysia
PWD	Public Work Department
RICS	Royal Institution of Chartered Surveyors

LIST OF FIGURES

Chapter 1 Introduction

Figure 1. 1 Traditional Tender Process	2
Figure 1. 2 Research design	6

Chapter 2 Literature Review

Figure 2. 1 Phase in NeTI.....	17
--------------------------------	----

Chapter 3 Research Methodology

Figure 3. 1 Research design	23
-----------------------------------	----

Chapter 4 Data Analysis

Figure 4. 1 Company Years of Operation	31
Figure 4. 2 Respondent's Working Position.....	32
Figure 4. 3 Tendering Practice Preferred	34
Figure 4. 4 Contractor's Level of Understanding	35
Figure 4. 5 Experiences with e-tendering system	36
Figure 4. 6 Challenges in Implementing E-tendering	38
Figure 4. 7 Willingness to Participate in E-tendering	40
Figure 4. 8 Factors contribute to willingness to participate in e-tendering.....	42
Figure 4. 9 Factors contribute to unwillingness to participate in e-tendering.....	44

LIST OF TABLES

Chapter 1 Introduction

Table 2. 1 The issues faced by the parties in current Malaysia tendering system	13
Table 2. 2 Comparison between conventional tendering process and e-tendering process	21

Chapter 4 Data Analysis

Table 4. 1 Company years of operation	31
Table 4. 2 Respondent's working position	32
Table 4. 3 Tendering practice preferred	33
Table 4. 4 Contractor's level of understanding.....	34
Table 4. 5 Experiences with e-tendering system.....	36
Table 4. 6 Challenges in implementing e-tendering	37
Table 4. 7 Willingness to participate in e-tendering	40
Table 4. 8 Factors contribute to willingness to participate in e-tendering	41
Table 4. 9 Factors contribute to unwillingness to participate in e-tendering	44
Table 4. 10 Comparison for ranking for the challenges	46

TABLE OF CONTENTS

ACKNOWLEDGEMENT	i
ABSTRACT	iii
ABBREVIATIONS.....	iv
LIST OF FIGURES.....	v
LIST OF TABLES	vi
CHAPTER 1.....	1
1.1 Introduction	1
1.2 Aim	2
1.3 Objectives	3
1.4 Problem Statement.....	3
1.5 Key questions	4
1.6 Important of study	4
1.7 Limitation of study	5
1.8 Research Methodology.....	6
1.9 Report contents for each chapter	7
CHAPTER 2.....	9
2.1 Introduction	9
2.2 General Tendering Practices in Malaysia.....	10
2.2.1 Tender specification	10
2.2.2 Tender documents	10
2.2.3 Tender Advertisement.....	10
2.2.4 Sale of Tender Documents	11
2.2.5 Tender Deposits.....	11
2.2.6 Closing and Opening of Tenders.....	11
2.2.7 Evaluation of Tenders and selection of successful bidder	12
2.3 Problems with traditional tendering process	12
2.4 Electronic Tendering (E-tendering).....	13
2.5 E-Tendering stages of development	14
2.6 National E-tendering Initiative in Malaysia	15
2.7 Phase in National E-tendering Initiative (NeTI).....	16
2.8 E-tender Challenges.....	18

2.8.1	Poor Reliability	18
2.8.2	Resistance to Change	18
2.8.3	High Initial Cost	18
2.8.4	High Maintenance cost.....	19
2.8.5	Security Concern	19
2.8.6	Legal Issues	19
2.8.7	Lack of Business relationship	20
2.9	Comparison between traditional and E-tendering	20
CHAPTER 3.....		22
3.1	Introduction	22
3.2	Research design	23
3.2.1	Initial discussion.....	24
3.2.2	Review of the literature	24
3.2.3	Research Strategy	24
3.2.4	Sampling Design	25
3.2.5	Data collection.....	26
3.2.6	Rationale of questionnaire.....	27
3.2.7	Method of Analysis	28
3.3	Potential Problems and Remedial plan.....	28
3.4	Conclusion.....	29
CHAPTER 4.....		30
4.1	Introduction	30
4.2	Respondent's background.....	31
4.2.1	Company Years of Operation.....	31
4.2.2	Respondent's working position.....	32
4.2.3	Tendering Practice Preferred.....	33
4.2.4	Level of Understanding about E-tendering System	34
4.2.5	Experiences involved in the Project which implement E-tendering system	36
4.3	Challenges of e-tendering system.....	37
4.4	Willingness for the participation in e-tendering	40
4.4.1	Willingness to participate in e-tendering	40
4.4.2	Factors Contribute to Willingness to participate in E-Tendering	41
4.4.3	Factors Contribute to unwillingness to participate in E-Tendering	44
4.5	Comparison based on Company Years of Operation	46

4.6	Conclusion.....	48
CHAPTER 5.....		49
5.1	Introduction	49
5.2	Conclusion.....	49
5.2.1	Objective 1 – To identify the application of e-tendering in Malaysia	49
5.2.2	Objective 2 – To identify the challenges in implementing e-tendering	50
5.2.3	Objective 3 – To investigate the willingness of contractors in Malaysia to participate in e-tendering	50
5.3	Recommendation.....	51
REFERENCES		52
APPENDICES.....		57
Appendices A		57
Appendices B.....		58
Appendices C.....		59
Appendices D		61

CHAPTER 1

INTRODUCTION

1.1 Introduction

The global economy nowadays has changed drastically from an industrial society to an information society. Internet and computers have become the most important information technologies that have developed throughout the years. Most of the business activities accepted the change and transforming into a more electronically ways with internet (Blayse and Manley, 2004). Information, communication and technology can create a more efficient and effective operations. Electronic process may also provide the potential to generate huge wealth (Amit and Zott, 2001).

Traditional process of tendering starts when the drawings and documents are prepared. The owner of the tender advertised the tender in print media such as newspapers or local press. Then, the interested contractor will respond to the tender advertisement by purchasing the documentation, filling the information and submit the documents usually by post, courier or hand delivery before the deadline. Once the tender deadline has expired, all tenders are opened, evaluated, and awarded to the suitable contractor. The details flow of the tender process in traditional ways is shown in Figure 1.1 below.

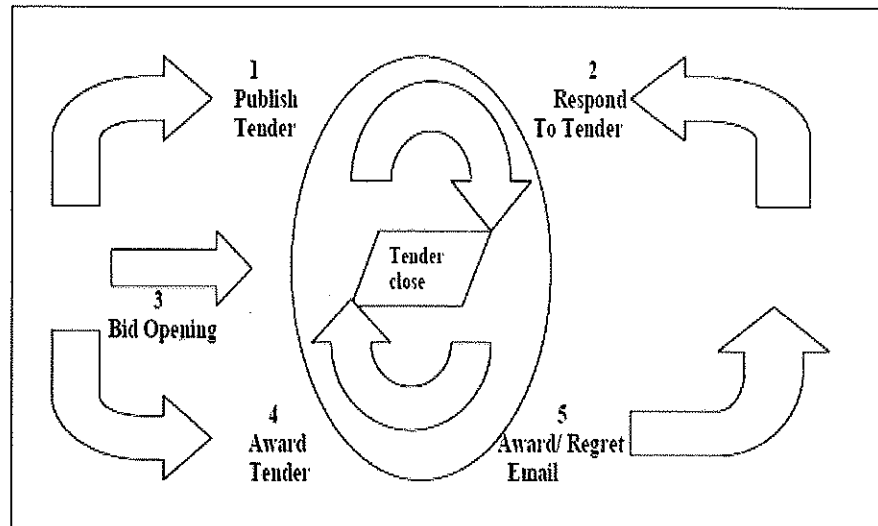


Figure 1. 1Traditional Tender Process

(Source: Ezanee , Norlila and Nurshuhada, 2005)

In other way, electronic tendering serves as a more elaborate Internet based tendering system. According to Harry, The Builder in Construction News and Views, Issue 3 (JUBM, 2002), electronic tendering or E-Tender is one of the many interesting development in today's construction industry. Electronic tendering system manages and facilitates the tendering process by using internet or other electronic media. Basically, it does not change the how the tendering process is done, but it enhances the process by utilizing today's digital technology.

Construction Industry Development Board Malaysia (CIDB) and Public Work Department Malaysia (PWD) have promoted the use of e-tendering since 2004. This research aims to investigate whether the contractors in Malaysia adopt or participate in e-tendering.

1.2 Aim

To investigate whether the contractors in Malaysia's construction industry would adopt and participate in e-tendering.

1.3 Objectives

1. To identify the application of e-tendering in Malaysia construction industry.
2. To identify the challenges in implementing e-tendering in Malaysia Construction Industry.
3. To investigate the willingness of contractors in Malaysia to participate in e-tendering.

1.4 Problem Statement

Paper based tendering system has been considered as part of the conventional procurement process. Things started to change with the increased of technologies, design and build procurement, and client expectancies. Electronic tendering has been assumed to be a more effective method compare with conventional procurement method in term of cost and time savings (Lavelle and Derek, 2009)

In Malaysia, CIDB and PWD have actively promoting the use of e-tendering since 2004. E-tendering system benefits the contractors and also the clients (RICS e-tendering guidance note, 2005). However, most of the local construction organizations are still adopting traditional tendering method (Lou, 2007). Therefore, a research has been carried out to investigate the challenges implementing e-tendering in Malaysia and the potential of contractors in Malaysia to involve in it.

1.5 Key questions

1. What are the challenges in implementing e-tendering in Malaysia Construction Industry?
2. Does the contractors involved in Malaysia are willing to involve with e-tendering system?
3. What are factors affecting the contractors' willingness or unwillingness to participate in e-tendering?

1.6 Important of study

E-tendering means entering and carries out a tender process electronically. Basically, it could be defined as the electronic conduct of tender exercises. E-tendering processes involve the use of Information, Communication and Technologies (ICT) such as the internet, computer to manage the process. At this point, construction conservatives will comment the older way is easier, it is difficult to change an informative and paper environment into an electronic format, Will this affect the tendering process? (Alsagoff, Eric & Zainon, 2006)

Ordinarily, preparing tender documentation for employers and obtaining, processing and submitting tenders for contractors are very costly. The contractors would have invested their own resources in preparing and submitting items like brochures, presentation materials, estimating resources, administration and clerical assistance. (Holt, etc. 1996) By using electronic media to manage and facilitate the process (E-tendering), it not only reduced the cost but also improve the process without changing the way it should be.

However, according to Tindsley and Steohenson (2008), the cost implications of E-tendering will be the initial capital investment for set-up cost of the system and training required at the early stage, which will particularly affect smaller firms. Contractors may also suffer cost in printing the drawings as well as employed specialist staff to use the software to read the drawings. E-tendering consisted of some barriers included:

- E-documents are often badly referenced
- Some contractors' Information Technologies (IT) capabilities are not adequate to successfully tender electronically
- Tender costs are transferred to smaller companies.
- The documents are presented to the contractor in poor way.

In general, the purpose of this study is to examine the application of e-tendering system in Malaysia construction industry. The study continues with consideration of challenges faced in implementing e-tendering in construction industry. Lastly, the research will find out the willingness of the contractors in Malaysia to participate in the application of e-tendering.

1.7 Limitation of study

The research aim is to investigate the willingness of the contractors to participate in E-tendering. In order to obtain information, online questionnaire will be used. The research will be focused on the Grade 7 contractor firm which is located at Petaling, Selangor, Malaysia. The research is limited to contractors because the contractors consider as the key party involve in tendering process of a project.