

# Improve The Capacity Of Competition About The Financial In The Bid Construction

Xuan Nam Chu

**Abstract:** According to experts, enhancing competitiveness is an important solution for enterprises to build competitive capacity in bidding, deciding the majority of win or lose in bidding. A good contractor can be eliminated in the first round because the bid does not meet the requirements of the investor. In order to have a good quality of bids, enterprises should pay attention to the following tasks: organizing the preparation of bidding dossiers, setting the bidding prices, selecting the optimum construction methods and work implementation plans. After bidding. Improving the quality of the bid preparation process should start from improving the quality of the staff in charge of bidding. At present, the experience of bidding of many enterprises is limited, especially the experience of working with foreign investors. Therefore, businesses need to build a team of qualified professionals in the field of bidding. The training and professional fostering in this field should be carried out annually. They focus on foreign languages, informatics, knowledge of law and knowledge on international bidding. This is considered important preparatory steps that enterprises want to improve their competitiveness when participating in bidding, especially participation in bidding packages using international donors and bidding packages cannot ignore it.

**Keywords:** capacity of competition, bid, construction

## 1 INTRODUCTION

Vietnam is currently in the process of industrialization and modernization, construction works are taking place everywhere, businesses have many opportunities to participate in construction activities. However, the reality is that many construction companies do not have a dedicated procurement department so they do not fully grasp the information and regulations in this field. In addition, to expand the area to participate in bidding, the President of the Vietnam Association of Construction Contractors said that enterprises need to set up a department dedicated to bidding for small businesses, set up a team or team. With large enterprises operating in the whole country, they can scale up to the office level, open branches and representative offices in major cities to complete the work of searching, credit. In addition to updating procurement regulations, gathering information on bidding packages is one of the main tasks of the procurement department. However, in order to do this properly, the specialized unit should have close links with state procurement authorities as well as the investors. In addition to grasping the law, in the field of construction, it is important to understand the specific construction planning of each region, each locality in each stage. Collect information on projects and funds for implementing these projects, through information channels such as newspapers, radio, investment websites and bidding. Information from these channels will create the initiative necessary for enterprises to step by step participate in bidding projects. Information gathering is not limited to the fact that businesses are interested in bidding packages, but the procurement department is also responsible for gathering information about competitors. This is necessary to analyze the strengths and weaknesses of competitors when participating in bidding. Factors to be considered in the information gathering process include: financial capacity, construction equipment, technology, relationships between rivals and investors. related functions. From the information available, enterprises have the basis of appropriate policy response. If the opponent is stronger, then the partnership to win mutual benefit.

Today, bidding is used in many areas but most still in the field of construction. In the current market economy, the mode of bidding in the field of capital construction plays a big role for investors, contractors and the State. On the other hand, due to the characteristics of the production and business process of the construction enterprises, they start with the sale of products through the signing of construction contracts. Therefore, the development of the business depends greatly on the ability to win the contract and construction contract. In fact, the bidding for the construction of the project has been fierce competition in terms of bidding prices, quality of works, progress of construction ... This competition creates many opportunities and challenges. The opportunity is to increase the number of bids, while the challenge is to win the bid. On the other hand, the increasing demand of investors on the quality of construction, on the progress of construction ... leads to the contractor must always efforts to improve their capacity. At present, the construction industry is facing many difficulties and the winning bid has a great significance for the construction company because it not only helps maintain production but also helps the business autonomy in the business get rid of difficult. towel. Finding a solution to improve competitiveness in construction and installation bidding is a real problem in the realities of production and business activities of construction enterprises in general. it request to strength in bidding for construction and installation.

## 2. PRINCIPLE OF BIDDING IN THE CONSTRUCTION FIELD

### 2.1. Basic definition

#### Open bidding

Open bidding is a form of bidding with no limit on the number of bidders participating. Before issuing the bidding dossier, the bid solicitor shall have to post the bid invitation notice on the bidding paper and the website of the State management agency in charge of bidding at least 10 days before the date of issuance. Bidding documents for contractors to know information. The bid solicitor shall have to supply bidding dossiers to contractors that wish to participate in the bidding. Bidding documents must not contain any condition that restricts the participation of the contractor or the purpose of creating an advantage for one or several contractors causing unequal competition. Scope of application: Open tendering is

- *Xuan Nam Chu. Ho Chi Minh College of Transport III, Vietnam. E-mail: [chuxuannamcdhh3@gmail.com](mailto:chuxuannamcdhh3@gmail.com).*

the main form used in construction bidding. Other forms shall be applied only when there are sufficient grounds and accepted by the competent persons in the bidding plans.

### Restricted bidding

Restricted tendering is a form of bidding where the party calling for tenders invites some tenderers (at least 5) who have sufficient capacity and experience to participate in tendering, in the case of less than five contractors. Investors must submit to the competent persons for consideration and decision permitting the continuation of restricted bidding or the application of other forms of selection. Scope of application: Restricted bidding shall be applied in the following cases: At the requests of foreign donors for capital sources used for bidding packages. Packages with high technical or technical requirements; A bidding package is of a research and experimental nature, but only a number of contractors are capable of meeting the requirements of the bidding package.

### Appoint contractors

Direct appointment is the form of direct selection of the contractor to meet the requirements of the tender package to negotiate the contract. When appointing contractors, they must select a contractor who is determined to have the capability and experience to meet the requirements of the bidding package and must comply with the procedure for contractor designation prescribed by the Government. Before the contractor is appointed, the cost estimate for such tender package must be approved in accordance with the regulations. Scope of application: Designation of the contract shall only be applied in the following special cases: In case of force majeure incidents caused by natural calamities, enemy sabotages or incidents which should be promptly corrected, the investors or agencies responsible for managing such works and / or properties shall immediately appoint contractors for implementation; In this case, the investor or the body responsible for managing such works or property must together with the appointed contractor conduct the contractor appointment procedure according to regulations within fifteen days from the date appoint contractors. Package required by foreign donors. Bidding packages of national confidential nature; Bidding packages of urgent projects for national interest. Packages for procurement of materials and equipment for restoration, renovation and expansion of capacity of production equipment and lines previously purchased from a contractor and cannot be purchased from Other contractors must ensure the compatibility of equipment and technology. Consultancy service packages with the tender package price of no more than VND 3 billion; bidding packages for procurement of goods with the tender package price not exceeding VND 2 billion; Bidding packages for construction and installation or bidding packages for selection of general construction contractors (except for bidding packages for selection of general engineering contractors) with a bidding package price of no more than VND 5 billion under the development investment projects defined in Clause 1, Article 1 of the Law Bidding, major renovation and overhaul projects of State enterprises specified in Clause 3, Article 1 of the Bidding Law Bidding packages for the purchase of assets with a value not exceeding VND 100 million in order to maintain the regular activities specified in Clause 2, Article 1 of the Bidding Law. In cases where it is not necessary to appoint contractors, bidding shall be organized according to

regulations.

## 2.2. Mode of construction bidding

For bidding according to each type of works, the investor may apply one of the modes prescribed in the Bidding Law. The method of bidding for one dossier bag shall apply to the form of open bidding and restricted bidding for goods procurement, construction and installation bidding packages or EPC bidding packages. Bidders shall submit their bids including technical proposals and financial proposals as required by the bidding dossiers. Bid opening is conducted once. The two-pocket bidding method is applicable to open tendering and restricted bidding in bidding for the provision of consultancy services. Contractors submit technical proposals and separate financial proposals as required by the bidding documents. Bid opening is conducted twice; The technical proposal will be opened in advance for the evaluation and financial proposal of all bidders with technical proposals that are evaluated as meeting the requirements to be opened later for general evaluation. In cases where bidding packages have high technical requirements, the highest bidder's financial returns shall be opened for consideration and negotiation. The two-stage bidding method is applicable to the form of open bidding, restricted bidding for procurement, construction and installation bidding packages, EPC bidding packages with new and complex technical and technological solutions. The form and is done in the following order: In the first stage, according to the first-time bidding dossiers, the contractors shall submit technical proposals or financial plans without bidding prices; On the basis of discussion with each contractor participating in this phase, the second phase bidding document will be identified. In the second phase, the second phase bidding dossiers, the stage-participating contractors shall be invited to submit the second-phase bidding dossiers, including: technical proposals; financial proposals, including bid prices; Bid security measures.

## 2.3. Bidding principles

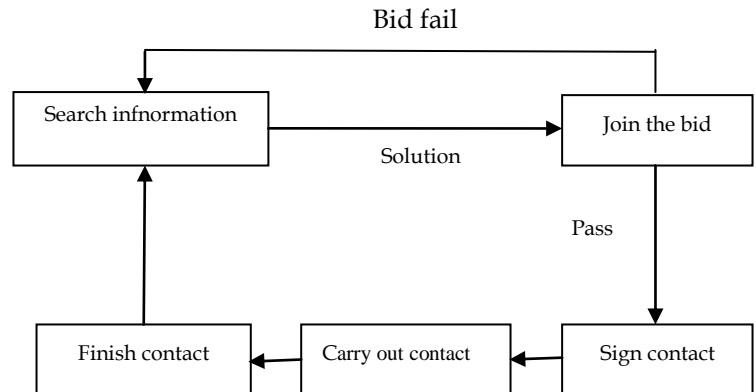
For any game, there must be rules that the player must adhere to. Bidding is also a game so it also needs certain principles that the participants need to adhere to to achieve high performance. These principles govern both the party calling for tenders and the bidder. Equity principle: This principle demonstrates the equal rights of the parties participating in the bidding. All bidders who are invited to bid are equally entitled to the information provided by the investor, objectively present their views during the preparation of the application as well as during the opening of the tender. . Bidding documents must be of equal capacity and quality to be evaluated in a fair manner by the same standard. Compliance with this principle will enable the owner to choose the contractor that best meets his requirements. Principle of secrecy: This principle requires the owner to keep secret his proposed price, the opinions of the bidders against the investor in the course of preparing the bid and keep Confidential information on tenders of contractors. Bids must be sealed by contractors prior to bidding closure. At the time of opening the bid, in the presence of the bid opening council, the bid will be sealed. The purpose of this rule is to avoid damage to the owner in the event that the bid is lower than the expected price or cause damage to a party due to the information being disclosed to another party, Be fair in construction bidding. Principle of publicity: This principle is one of the compulsory requirements except for special works of

national secrets, the rest must ensure the publicity of necessary information throughout the bid-opening period. bid. The purpose of this principle is to implement the principle of fairness and attract more contractors to the playing field and to improve the quality of procurement. Principle of competence and qualifications: This principle requires both the investor and the bidders to have sufficient technical and economic capacity to fulfill the commitments when bidding. It will avoid damage as well as losing the effectiveness of bidding, causing damage to the State. Principles for ensuring the legal basis: The parties participating in the bidding must strictly abide by the State's regulations on bidding contents and order and the commitments already acknowledged in the bidding contracts. If this principle cannot be ensured, the investment agency and investment management agency may propose the cancellation of the bidding results.

### 3. THE BID CONSTRUCTION COMPETITION

Although there is a lot of literature, books and legal documents on the management of construction investment has admitted the competition in the construction contract but there is not a specific concept of competition in as well as bidding in construction and installation in particular. However, it is possible to understand competition in bidding for construction and installation as follows: Understanding the meaning of hep: Competition in the bidding for construction and installation of enterprises is the process of construction enterprises to propose technical solutions, finance, construction progress and bid to meet the dark The best bidder is required to ensure the winning of construction contract. This conception shows that the competition of construction firms in bidding for construction and installation is the competition among enterprises in order to win the bidding. This competition is by different means to meet the requirements of the investor in terms of technical, schedule, construction measures, finance, construction quality as well as other requirements and reasonable bids. The best way to win the other bidders in the bidding. However, this concept is limited to competing in a particular project, but it has not shown that competition among these businesses during the production process involves many different constructions and competitors. Each bid may be different. Identifying more competitive strategies of each business will be more difficult. So we can understand competition in a broader sense. - Comprehensive understanding: Competition in bidding for construction and installation is a fierce and fierce struggle between construction enterprises since the beginning of seeking information, offering solutions to participation in bidding and signing and execute the contract until the completion of the handover at the request of the investor. Competition in construction bidding is a continuous process, the purpose of competition and the result of competition is winning the contract, selected for construction works. Businesses are always looking for information about investors, other contractors, financial status, prices, and the development of science and technology to come up with proper competitive strategies. bidding. In this competitive process, enterprises that catch the information at the earliest will actively take the most suitable solution, which will increase the chances of winning the bid. The relationship between the business and the owner and other relationships will greatly affect the competitiveness of the business because it will create "shortcuts" but surely to win the bid. Under this understanding, a range of issues that the contractor must

address concerns: from information seeking, bidding, construction and commissioning. These stages are not sequential but alternate. At the same time, businesses can participate in many auctions. Therefore, enterprises must have plans, strategies and solutions to perform such tasks. You can use the following diagram to describe the competitive process in construction bidding.



**Figure 1.** The principle of joining the bid construction

### 4. SOLUTION

Financial capacity is the most difficult issue for contractors. The contractor is a major debtor of the bank and is a "compulsory" creditor such as uncollected unpaid debt, including those that have been in use for many years. The state needs to implement synchronous solutions to put the construction contractors out of the current situation. The Government assigns ministries, central branches, localities and construction enterprises to conduct a general review of the implementation of construction and installation contracts, accurately determining the outstanding debts and debts of Contractor to plan for a specific time: To settle the outstanding debts of the State budget capital for construction contractors. According to their responsibility, the investors and construction contractors focus on disbursement of completed workload, towards the goal: how to disburse to it. On the basis of evaluating and balancing the financial capability of bidders to make appropriate decisions in the process of equitization of State enterprises, including the bankruptcy of enterprises which are completely incapable of weighing. The financial side. The Ministry of Construction and the Ministry of Planning and Investment shall quickly study and promulgate policies and formulate appropriate unit prices in the direction of determining the "reasonable price" when selecting contractors to build. Specify the concept of "reasonable price" to ensure the legal for the decision of the authority when selecting contractors. Further decentralization of the authority of the Minister in making investment decisions, selecting contractors and solving bidding situations, deciding the issuance of unit price norms specialized construction, decision to adjust and supplement the project ... on the basis of the legal framework promulgated by the Government. Decentralization means the responsibility for the contents of the decentralized management of investment and construction. Reviewing and adjusting contents of economic contracts and regulating some regulations of state management on business operation. Financial capacity plays an important role in the production and business of a business and is of decisive importance in the formation, existence and development of the enterprise.

The financial capacity of contractors is reflected in the ability to pay, the efficiency of using capital and the ability to raise capital for production and business activities. In bidding, the financial capacity of the company is shown in the capacity profile. This is one of the first conditions for a bidder to qualify for the bid. Not only that, the financial capacity of the contractor is one of the factors determining the progress, quality of the works and production efficiency of the contractor when winning the contract. Therefore, the financial ability directly affects the competitiveness of the company. In order to improve the financial situation and overcome these shortcomings, the company can apply key measures such as expanding capital sources, improving the efficiency of capital use by saving costs, minimizing appropriated capital ... and focus on the following solutions:

- Increase the financial autonomy of the business by increasing the share of equity. To address this, two basic approaches are needed, namely reducing liabilities and increasing owners' equity.
- Minimize the use of capital, promote debt recovery: The slow recovery of the loan causes the capital source and ability to meet capital for the works under construction are limited, badly affect the bidding, especially when bidding multiple projects at the same time. There are many reasons for delays in payment. Probably due to the slow funding of the State, the investor has not fulfilled its responsibility to pay for capital to the contractor, but the most important cause is the delay of the contractor in the process of public finalization documents. submission or completion of records to ensure high legality.
- The company also needs to focus on idle funds: The company is equitizing the enterprise. When the company operates as a joint stock company, it will have many advantages in mobilizing capital for production activities of the company. Use unused funds to supplement working capital of the company. The company can also source capital from input suppliers such as suppliers of building materials, machinery and equipment. At present, Van Cuong Construction Joint-Stock Company is taking advantage of the suppliers of huge capital to serve production.
- Proper organization of production and business activities of the Company will reduce a lot of expenses in the product price, thus having a positive impact on lowering the cost of goods and services at the same time. Productivity and profitability are also quickly realized, giving the company enough capital to meet the needs of its business. By designing a detailed construction organization with specific calculations taking into account the impact of weather conditions, materials supply conditions and requirements to ensure ecological environment, traffic. .
- Finding ways to use capital reasonably and economically, due to the production process in the mobile construction business moving from one project to another, moving within the building itself. . As a result, many other expenses incurred for the relocation of the construction work force and expenses for the construction of temporary works for construction. Requiring enterprises to take the initiative in selecting flexible production forms, reducing transportation expenses, maximizing the use of construction and construction materials at construction sites and taking into account the mode of renting

machines. When the cost of moving construction machinery of the enterprise itself is too large ....

- Some other financial solutions: Enhancing internal accumulation by ensuring profitability. That is, the annual profits are added to the development fund and other funds. Formulate and select a plan for using flexible financial measures to regulate the flow of capital in the course of executing many bidding packages, avoiding the situation of over-construction of capital with insufficient capital for expenditure. borrowing costs. Alternatively, you can use advance payments to reduce overdue debt and to make new loans. Thus, we can significantly reduce the cost of borrowing. While bidding, we can also strengthen our financial capacity by partnering with other contractors. Maintain a good relationship with the Bank in order to make the best use of the Bank's assistance when borrowing capital or when it is necessary to secure the performance of a contract or guarantee the performance of a contract. Savings of general expenses for management such as procurement of office equipment, expenses for indirect machines, expenses for guest reception.

#### 4. CONCLUSION

Bidding in construction is a very important and significant activity for the construction business. In the current period, the demand for investment in infrastructure construction in general and transportation infrastructure in particular is opened up on a larger scale. In addition, the emergence of more and more enterprises entering the construction market has made the competitive environment more and more fierce. This is the opportunity and also the challenge for construction enterprises to self-assert themselves, to dominate the market. In order to contribute to improving the competitiveness of the company's bidding, it is necessary to go into the study of the enterprise's bidding theory, analyze and evaluate the reality of its ability to compete of enterprises in the construction bidding in the past years to clearly see the advantages, limitations and causes. From this proposed solutions to improve the competitiveness of enterprises in the bidding for construction.

#### REFERENCES

- [1] Hviid, M. 1990. Sequential capacity and price choices in a duopoly model with demand uncertainty. *J. Econom.* 51(2) 121–144.
- [2] Hviid, M.. 1991. Capacity constrained duopolies, uncertain demand and non-existence of pure strategy equilibria. *European J. Political Econom.* 7 183–190.
- [3] Klemperer, P., M. Meyer. 1986. Price competition vs. quantity competition: The role of uncertainty. *Rand J. Econom.* 17 618– 638.
- [4] Kreps, D., J. Scheinkman. 1983. Quantity precommitment and Bertrand competition yield Cournot outcomes. *Bell J. Econom.* 14 326–337.
- [5] Lee, H. L., C. S. Tang. 1998. Variability reduction through operations reversal. *Management Sci.* Feb. 162–172.
- [6] Li, L. 1988. A stochastic theory of the firm. *Math. Oper.*

Res. 13(3) 447–466.

- [7] Lippman, S. A., K. F. McCardle. 1997. The competitive newsboy. *Oper. Res.* 45 54–65.
- [8] Mills, E. S. 1959. Uncertainty and price theory. *Quart. J. Econom.* 73 116–130.
- [9] Padmanabhan, V., I. P. L. Png. 1997. Manufacturer's return policies and retail competition. *Marketing Sci.* 16(1) 81–94.
- [10] Parlar, M. 1988. Game theoretic analysis of the substitutable product inventory problem with random demand. *Naval Res. Logist.* 35 397–405.