



Delft University of Technology

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Volker, Leentje; Bos-de Vos, Marina

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Dutch competitions: Trends and developments in managerial practices of clients in the Netherlands and their implications for architects

Leentje Volker and Marina Bos-de Vos

INTRODUCTION

The Netherlands has often been portrayed as a fertile ground for young architects, giving rise to internationally acclaimed firms such as MVRDV, OMA, Mecanoo and UN Studio. Competitions play a pivotal role in the development of young firms but are also key to the continuity of established practices. Currently, many Dutch architects experience difficulties in acquiring projects from competitions. The number of construction projects is still limited because of the significant downfall in the Dutch construction market, caused by the global financial crisis. The number of privately funded commissions therefore decreased. The Dutch government, who initially decided to stimulate the construction industry by speeding up certain investments, now must limit expenses significantly, resulting in less public commissions. Many (semi-) private clients have collapsed or restructured their organization and are hesitant or simply unable to develop new initiatives. Moreover, the concepts and procedures of competitions that are recently applied, do not always stimulate or enable architects to participate. This essay sheds light on recent trends in the management of competitions by clients in the Netherlands and discusses the implications for architectural firms and quality of the built environment. It draws on academic and practitioners' literature, reports of Dutch professional institutions, and exemplary cases from interviews with Dutch clients and architects¹. The trends in the Dutch competition concepts, such as more integrated contracts and development competitions, are discussed first. This is followed by the trends in the competition procedures, such as the preference for restricted procedures. The essay ends with a discussion on the implications of these trends and developments for the Dutch competition culture.

TRENDS AND DEVELOPMENTS IN DUTCH COMPETITION CONCEPTS

More negotiated procedures and privately contracted jobs

Private clients are always free to apply the selection procedure that they prefer, but for public clients this is only allowed in specific situations due to European procurement regulations. These regulations prescribe several procedures that need to be applied when selecting architects. Due to the implementation of the new Dutch Public Procurement Act in 2012 and slight alterations in the European tendering regulations, negotiated procedures and non-public tenders have become increasingly popular among public clients in the Netherlands². Clients often choose for a traditional negotiation procedure with a few

¹ Bos-de Vos, M., Wamelink, J. W. F., and Volker, L., "Trade-Offs in the Value Capture of Architectural Firms: The Significance of Professional Value." *Construction Management and Economics* 34, no. 1 (2016): 21-34; Bos-de Vos, M., Volker, L. and Wamelink, H., Real Estate Development by Architectural Firms: Is the Business Model Future-Proof? In *Proceedings of the 32nd Annual ARCOM Conference*, September 2016, ARCOM, Manchester, United Kingdom

² Steunpunt Architectuuroopdrachten & Ontwerpwedstrijden, "Trends aanbesteden van architectuuroopdrachten in Nederland [Trends in Tendering Architectural Services in the Netherlands]." Amsterdam: Architectuur Lokaal, 2013.

potential suppliers to limit the transaction costs and influence the type of suppliers. The trend of less publicly announced jobs is demonstrated by a decrease in the number of officially announced tenders over the past few years. Privately contracted jobs offer both clients and architects the benefit of a close interaction and specifically chosen discussion items, through which they are better able to secure design quality. The procedures, that can be developed by the client, may be as elaborate and time-consuming as the client wishes, but are often quite limited and facilitating a smooth process. In these situations, the design competition is considered to be too open and elaborated. Hence, we notice that idea competitions seem to be relatively popular for challenges that have a more open and less urgent character. The concept of the idea competition offers clients a way to explore the opportunities of a site without having the obligation to directly sign a contract with the winner. Clients can take along the submitted ideas in their development process and organise an official tender in a later stage of the process. In this way, they still utilize the creativity potential from the field.

Increase in integrated contracts

In the Netherlands, most of the schools and cultural facilities are procured in traditional design-bid-build contracts. Sport facilities, infrastructure, housing and urban area developments are generally procured with *integrated* contracts³. Over the last two decennia, an increase in the number of integrated contracts is noticed. Integrated contracts are less complex for clients to handle as there is only a single contracting party. This party takes care of the contracts with all other necessary actors. Popular integrated contracts in the Netherlands are the Design Build (DB) contract and the Design Build Finance Maintain Operate (DBFMO) contract. The first typically selects a contractor, the latter a large consortium of partners that is able to deal with the project's maintenance and/or exploitation for an extensive period of time. DBFM(O) contracts are mainly applied for large, complex projects. For recent examples, such as the Army Barracks in Utrecht (*Kromhout Kazerne*) or the Dutch High Court in the Hague (*Hoge Raad der Nederlanden*), the contracts have durations of respectively 25 and 30 years.

The trend towards using more integrated contracts is sometimes seen as a threat to the involvement of an architect and the design quality of the project as clients seek for extensive service delivery instead of architectural value only. Within the consortia that apply for these competitions, the architect usually plays a minor role (e.g. a preliminary design only), which often results in engineering and construction decisions being made merely on a lowest-price basis. Furthermore, the increase in integrated contracts leads to new parties entering the market, such as engineering firms, facility management organisations and specialised contractors, which intensifies the competition for architects⁴.

Nevertheless, integrated contracts can also be extremely beneficial for the design quality of the project. Contracting parties, for example, make different decisions regarding the use of materials once they are held responsible for the project's maintenance:

³ Steunpunt Architectuuroopdrachten & Ontwerpwedstrijden, "Trends aanbesteden van architectuuroopdrachten in Nederland [Trends in Tendering Architectural Services in the Netherlands]." Amsterdam: Architectuur Lokaal, 2013.

⁴ Steunpunt Architectuuroopdrachten & Ontwerpwedstrijden, "Trends aanbesteden van architectuuroopdrachten in Nederland [Trends in Tendering Architectural Services in the Netherlands]." Amsterdam: Architectuur Lokaal, 2013.

“Then you see that you are going to make a different building. Because you are responsible for the window frames the coming 20 years. We apply wooden window frames everywhere, since we don’t have to paint them anyway. But now you have to maintain the window frames yourselves. Yes, we then place aluminium, because you don’t have to maintain those.”⁵

Some clients explicitly require the inclusion of an architectural firm or party with comparable expertise in the consortium since they aim for unique design quality. For the Dutch *Ministry of Finance*, one of the first DBFMO projects in the Netherlands, the proposed design was part of the contractual documents to be fulfilled. But also in cases where it is up to the suppliers to compose the consortium, contractors and other firms increasingly invite architects to become part of their consortium as they notice that the chances of winning increase by involving an architect. Especially in the exploitation phase of a building, good design decisions could limit maintenance costs. Sometimes, architects even take on a key role in coordinating the quality aspect of the project as other involved parties do not have the expertise or ambition to oversee the integrative aspects of the construction project.

More development competitions

Public clients are increasingly using *development* competitions. By using such competitions, clients mainly target developers or developing contractors to undertake the entire project based on a location that is available⁶. It is yet another practice that outsources the main construction client’s responsibilities to private parties and reduces the workforce that is needed within the client organization. Although the development competition practice may lead to consortia without architectural design firms, more and more contractors and developers recognize that architects can help them to beat the competition by being distinctive.

“We won the ‘Markthal’ [red: a covered marketplace in Rotterdam] in a competition. We also won the ‘Amsteltoren’ [red: a former office tower in Amsterdam] in a competition. And yes, then you want to be distinctive. So there we had MVRDV and together we brainstorm.”⁷

Architects also become involved in new roles in relation to these competitions. The preparation of the competition itself, the selection procedure and realization often require architectural supervision to secure design quality. Clients therefore increasingly hire architects to support them in optimizing their plans and assure design quality. In more complex area developments, clients hire architects to oversee the complete set of multiple parcels, based on different competitions between different sets of consortia. For architects, becoming part of the client organisation is not necessarily a bad thing since they can strive for design quality themselves. Some architects even try to pursue more of these advisory roles, as they easily lead to additional jobs in the same project or commissions for other projects.

⁵ This quote originates from an interview conducted by one of the authors in January 2015 with a Dutch contractor. The interview is part of the futurA research project on future roles and business models of the architect, see www.future-architect.nl.

⁶ Fisher, P., Robson, S. and Todd, S., "The Disposal of Public Sector Sites by "Development Competition"." *Property Management* 25, no. 4 (2007): 381-99.

⁷ This quote originates from an interview conducted by one of the authors in January 2015 with a Dutch real estate developer. The interview is part of the futurA research project on future roles and business models of the architect, see www.future-architect.nl.

TRENDS AND DEVELOPMENTS IN DUTCH COMPETITION PROCEDURES

Preference for restricted procedures

Especially public clients aim to select their architects in a careful manner to ensure the support of their stakeholders and to obey procurement rules. In general, this results in less (open) design competitions and more (restricted) tender procedures in the Netherlands. Whether justified or not, clients seem to consider these restricted tender procedures as a means to reduce the risks of budget overruns, planning delays and quality problems – which are unfortunately still common problems in construction projects. Whereas most clients seem to acknowledge that they have a social role in fostering architecture, they also have an increasingly scrutinized public responsibility to create well-functioning and cost-efficient public facilities⁸. Numbers on the website of Architectuur Lokaal⁹, the Dutch support office for design competitions show that in the past years, 90% of all design-related tenders by public clients were EU restricted tender procedures. Open EU-procedures, such as design competitions, represent only 5% of the total of design tenders, of which many are ideas competitions without any follow-up.

Strict procedures

Many public clients are very strict in their interpretation of the EU-regulations that apply to architect selections¹⁰. They often use high, disproportional suitability criteria and time-consuming procedures, which can lead to the exclusion of young architects and small firms for public commissions¹¹. The strict procedures and assessment criteria also imply that specific types of assignments, such as schools or healthcare facilities regularly end up within the same range of firms.

*“We can never be selected for that because we don’t have the right references. We can only participate once the tender specifications are allowing us to submit projects of comparable complexity. But if you are asked to provide five libraries or five city halls ...”*¹²

Clients often include these high selection requirements to avoid potential risks in the development of their projects. The fact that many Dutch clients are merely occasional purchasers with little experience and knowledge of commissioning architectural services, is possibly one of the underlying reasons for this. Clients do not seem to realize what the impact of their requirements can be for the type of firm that can submit. Depending on the strategies of the architectural firms, this could lead to submissions that cannot be executed under the project’s conditions or firms refusing to participate¹³. Currently, more and more clients lower the financial requirements or adjust the conditions for reference projects. This

⁸ Volker, L., and van Meel, J., "Dutch Design Competitions: Lost in Eu Directives? Procurement Issues of Architect Selections in the Netherlands." *Geographica Helvetica* 12, no. 1 (2011): 24-32.

⁹ <http://www.ontwerpwedstrijden.nl/>, retrieved 8-11-2016.

¹⁰ Volker, L., *Deciding About Design Quality: Value Judgements and Decision Making in the Selection of Architects by Public Clients under European Tendering Regulations*. Sidestone Press, 2010.

¹¹ Volker, L., and van Meel, J., "Dutch Design Competitions: Lost in Eu Directives? Procurement Issues of Architect Selections in the Netherlands." *Geographica Helvetica* 12, no. 1 (2011): 24-32.

¹² This quote originates from an interview conducted by one of the authors in December 2014 with a Dutch architect. The interview is part of the futurA research project on future roles and business models of the architect, see www.future-architect.nl.

¹³ Manzoni, B., and Volker, L., "Paradoxes and management approaches of competing for work in creative professional service firms." *Scandinavian Journal of Management*, 33, no 1, (2017). 23-35.

is reinforced by the Dutch Proportionality Guide as part of the current Procurement Act, which provides guidelines for these requirements.

Special criteria for young talent or small firms

To stimulate young talent or small firms, some clients, such as the Dutch Chief Government Architect Office and the Municipality of Rotterdam, use selection procedures with limited requirements. They also specifically invite recently established companies to participate in restricted design contests or tenders. Others apply the wildcard method to offer less experienced firms the chance to prove themselves during a competition.

*“Look, the reason why we were able to win the ‘Drents Archief’ [red: a Dutch historical museum], for example, is that there was a very active policy of the Central Government [...] that small firms also had to have a chance in European tenders. So the criteria were very basic and on top of that they also divided it into small parcels to reduce the risks.”*¹⁴

This management practice definitely seems to be paying off in terms of design quality, as the works that are produced by young talent are generally of a very high standard and well received by clients, the general public and the architectural press¹⁵.

Limited financial compensation

Especially for major public facilities, such as museums and municipal offices, architects are sometimes asked for full design proposals and extensive stakeholder engagements without proper financial compensations¹⁶. Dutch clients are used to the willingness of architects to participate; even during the financial crisis architects usually did not complain. Many architectural firms started offering their services below market value, just to get the job and keep their people busy. Firm efforts almost always exceed the compensations that are offered by large.

*“For example, currently there is a selection for an archival building in Delft, yes it’s ridiculous, there you get paid 2500 euros, VAT included, so that’s 1800 euro, we worked on that for six weeks fulltime!”*¹⁷

In the last couple of years, the resistance of Dutch architects has grown and they have started protesting against ‘costs draining procedures’, either by not participating¹⁸ or by reaching out to the media¹⁹. Currently, more and more public clients offer financial

¹⁴ This quote originates from an interview conducted by one of the authors in January 2014 with an architect-owner of small, Dutch architectural firm. The interview is part of the futurA research project on future roles and business models of the architect, see www.future-architect.nl.

¹⁵ van der Pol, L., Brouwer, J., Jansen, C., Mensink, J., & Geertse, M. (2009). *Europa en de architecten - Stand van zaken in de discussie over Europese aanbestedingen van architectendiensten* [Europe and the architects - the state of affairs]. Den Haag: Ministerie van VROM/Atelier Rijksbouwmeester & Architectuur Lokaal.

¹⁶ Volker, L., and van Meel, J., "Dutch Design Competitions: Lost in EU Directives? Procurement Issues of Architect Selections in the Netherlands." *Geographica Helvetica* 12, no. 1 (2011): 24-32.

¹⁷ This quote originates from an interview conducted by one the authors in February 2014 with an architect-owner of another small, Dutch architectural firm. The interview is part of the futurA research project on future roles and business models of the architect, see www.future-architect.nl.

¹⁸ Vollaard, P. (2008). *Europees Aanbestedingsleed: nu ook met oplossingen* [European tendering suffering: now also with solutions]. Retrieved 21 August, 2009 from www.archined.nl

¹⁹ Atelier Kempe Thill. (2008). *Naar een Nieuwe Aanbestedingscultuur - Europees Aanbesteden van Architectendiensten in Nederland* [Towards a new tender culture in the Netherlands] (pp. 25). Rotterdam: Atelier Kempe Thill Architects and Planners.

compensations when firms enter the final round of a competition. Their reimbursements usually do not fully cover the architectural firm's costs, but are enough for firms to be willing to participate. Architects also increasingly engage in negotiations with private clients that ask them to participate in an integrated tender or development competition. They make financial arrangements at the start of the tender, such as a fixed compensation, coverage of expenses or a bonus fee once the project is acquired. So far, the limited financial compensations of Dutch clients do not seem to result in less design quality. Architects still aim for the highest amount of quality possible as they do not want to jeopardize firm reputation or personal work pleasure²⁰. However, as other countries seem to become increasingly attractive to Dutch architects²¹, limited reimbursements may eventually result in fewer applications of Dutch firms. In such a scenario, the majority of contemporary Dutch architecture may be diffused around the globe instead of contributing to the identity of Dutch cities.

CONCLUSION

Trends in the management of Dutch competitions seem to have a strong impact on the possibilities of architectural firms to participate in competitions or win tenders. Some of the trends facilitate further involvement of the architect; others make things more complicated or create more competition. The increase in integrated contracts and development competitions in the Netherlands results in a growing number of projects in which architects are commissioned by private firms such as developing contractors instead of public clients. Although these developments may impact architectural ambitions due to the focus on the overall business case, recent examples also show how architectural value pays off by increasing the winning chances of these types of competitions. At the same time, the total amount of transaction costs increase because three to five consortia have to submit complete designs for a limited financial compensation. The same applies for the restricted tender procedures that are still very popular in the Netherlands. Architects and construction consortia are increasingly asked to provide crucial parts of their core business – their design power - almost for free. This causes friction in the market and could lead to a poorer architecture climate. It could also lead to new opportunities and interesting role changes in traditional supply chains. Hence, to ensure high quality designs and a continuation of the Netherlands as breeding ground for Dutch design, a more lucrative competition environment seems indispensable.

²⁰ Bos-de Vos, M., Wamelink, J. W. F., and Volker, L., "Trade-Offs in the Value Capture of Architectural Firms: The Significance of Professional Value." *Construction Management and Economics* 34, no. 1 (2016): 21-34

²¹ Vogels, R., "Conjunctuurpeiling BNA, Voorjaar 2015 [Economic Survey BNA, Spring 2015]." BNA (Royal Institute of Dutch Architects), 2015.