



The effect of economic situation on client's choice of procurement approach and the future of Construction Management approach

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Introduction:

Uncertainty of economic conditions can affect client's choices of procurement approaches (Henchie, 2009).

Procurement approaches can be classified as:

- **Traditional (separated);**
- **Design and Construct (integrated);**
- **Management (packaged); and**
- **Collaborative (relational)**



Which of the following common procurement routes do you frequently use?

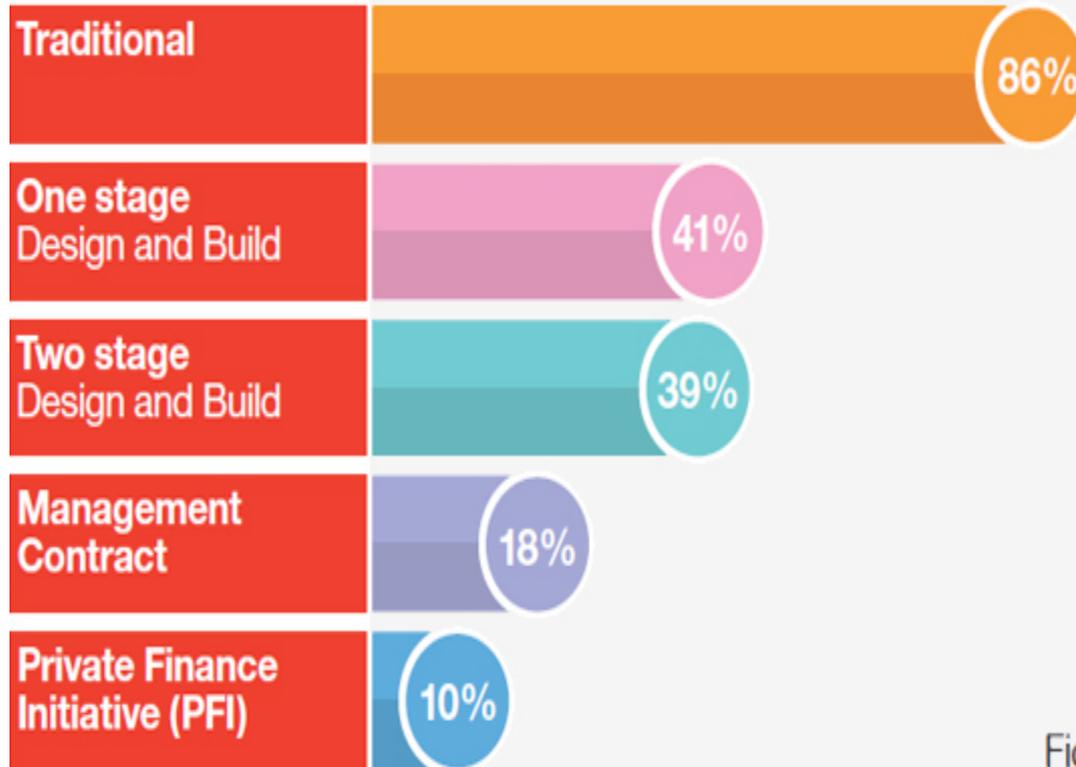


Figure 1: RIBA members' online survey 2012



Construction Management and Traditional Procurement methods:

The inflexibility of Lumps sum approach and risks involved in CM approach has been investigated in order to explore the future of CM approach.



Traditional Procurement method:

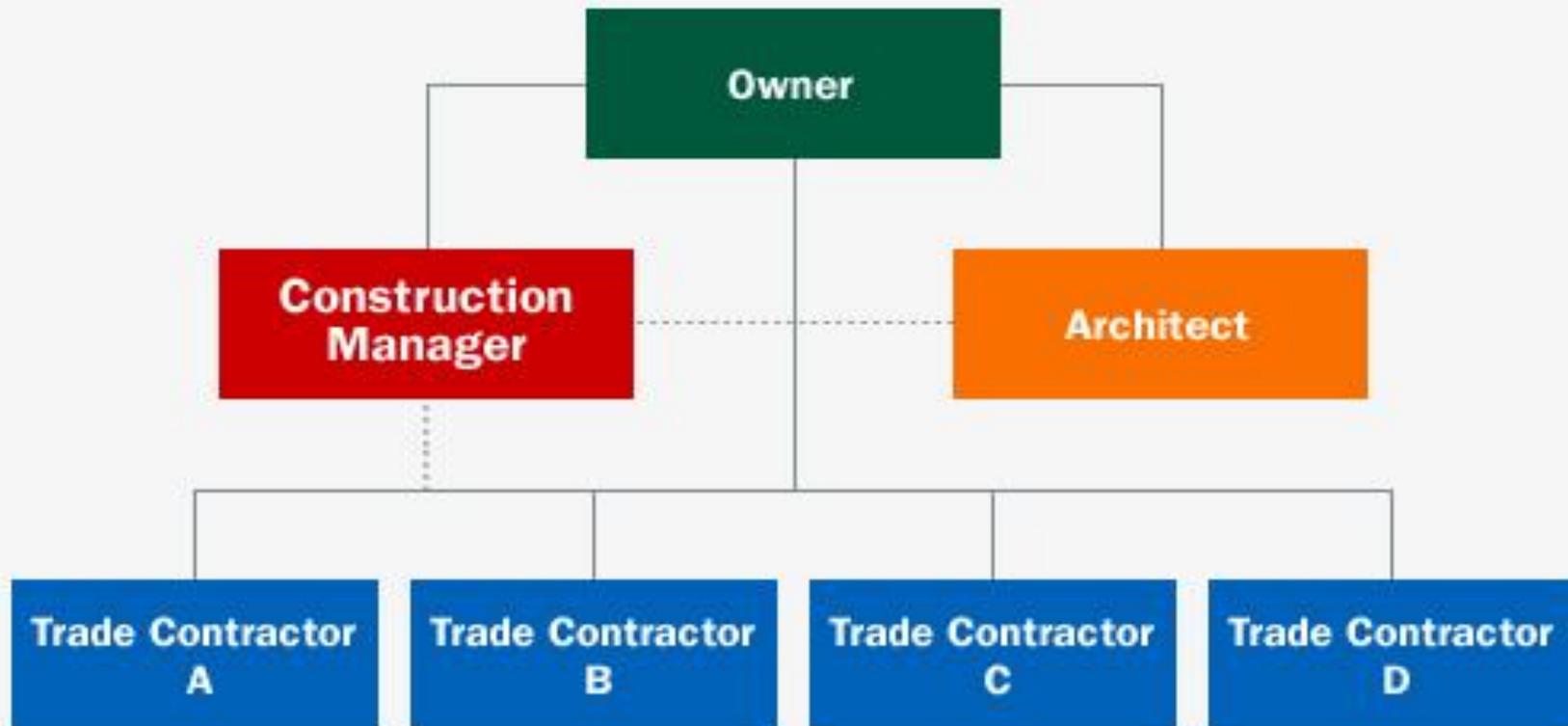
Engineering, Procurement and Construction Contract Structure



Source: Global Intelligence Alliance, ILF Consulting



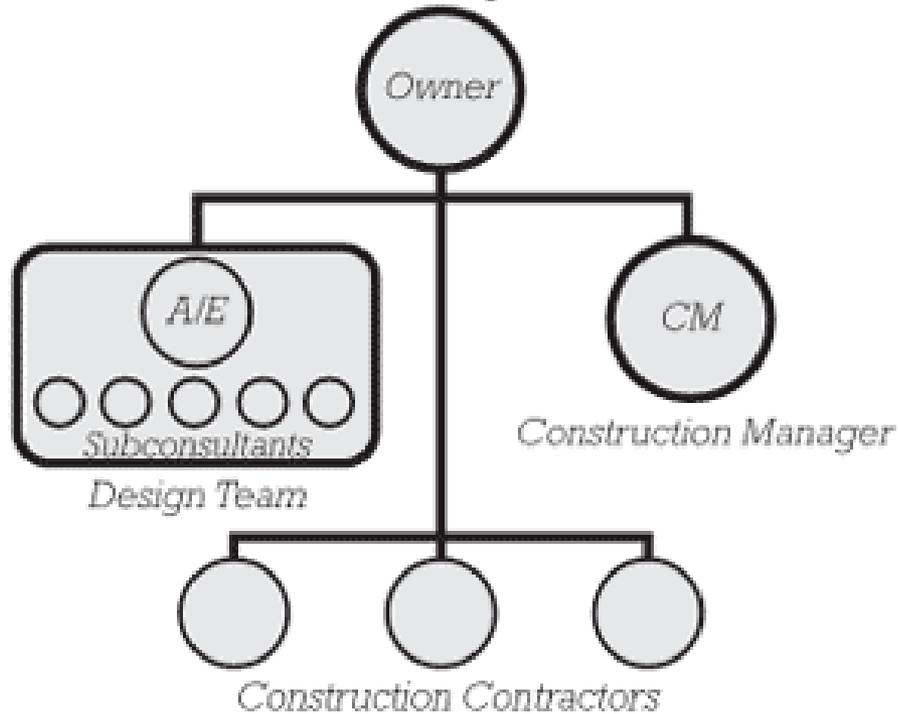
Construction Management procurement method



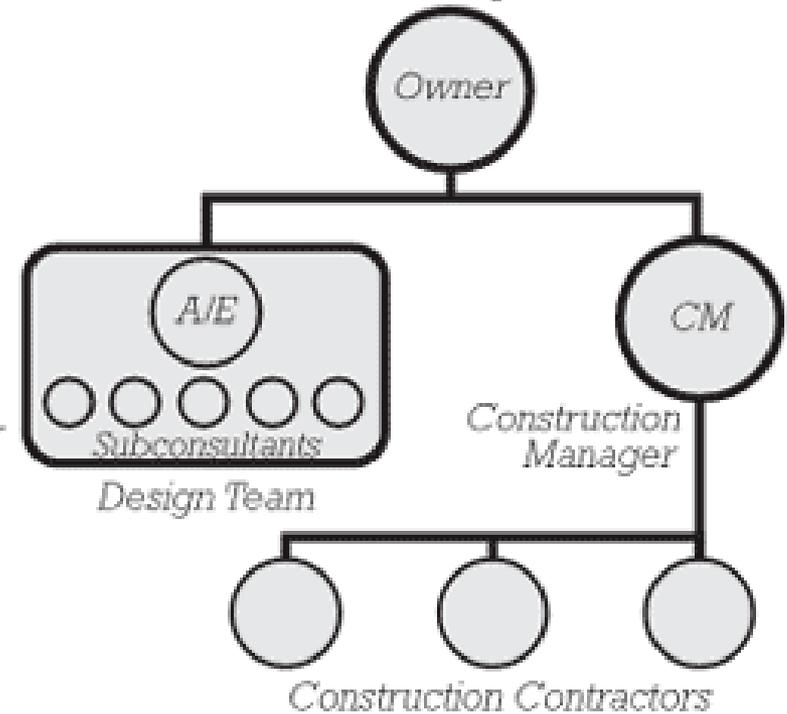


CM at risk VS CM at fee

Construction Management at Fee



Construction Management at Risk





Lump-sum versus Construction Management

- Design responsibilities implications
- Costs and variations issues
- Clients' roles and responsibilities under Construction Management



Research Method

Two Types of research methods were obtained:

1. Analysing the relevant published literature.
2. Directly Consulting experts in the field using an adapted Delphi approach

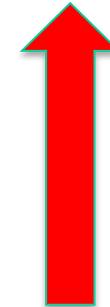


Result:

Early STCs involvement and participate in the project



Achieving Better Outcomes



Clients might wish to inhibit the early and full involvement of STCs



Lump-sum approach:

1. Conflict on STCs selection.
2. Lack of client flexibility to deal with issues such as build-ability.
3. Cost control becomes more complicated due to:
 - The increased technological complexities.
 - The volatile economic situation

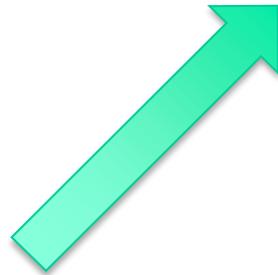


Lump-sum approach:

Cost certainty to the client



Small or Medium projects



Scope of services
is defined precisely



Little risk of significant
variations in the scope



CM approach

- Client is able to know the costs through a sound cost plan.
- In the construction phase the cost is controlled by the construction manager.
- CM might give the client cost savings :
 1. Budget control during the design and construction phases.
 2. Adjust the budget during the process of obtaining trade prices.



CM approach:

Volatile
economic



CM



Complex project



Flexibility to the client



Deal with cost uncertainty effectively



The future of CM approach

It can be driven by:

1. The increased complexities of technology.
2. Issues of management



Conclusion:

- There is a need for more robust and flexible mechanism to deal with issues of design and cost control.
- It is believed that CM approach is gradually coming back.
- CM need to be developed to increase the integration between the design and construction teams.
- The procurement approaches which promote and facilitate the full integration of the supply chain will have a sound standing position in construction industry.
- It is necessary for CM approach to adapt to the changing markets as well as develop to suite the necessary organisational changes.



Recommendations:

- There is a need for more research on procurement approaches to give better organizational integration.
- To develop the current procurement approaches such as the CM approach to be less risky and more flexible.
- To make a comparison between actual costs and risks in Lump-sum and CM approaches. This research will have highly practical value.