

# A CONTRACTORS VIEW OF CLIENT EXPECTATIONS



ITS ALL ABOUT RELATIONSHIPS

# The Nature of the Construction Industry

## a journey of discovery every time



Many of the characteristics that are unique to the construction industry are key contributors to a contractors' difficulties.

- ❧ Negotiate or conflict
- ❧ Workforce skills and shortages
- ❧ Cyclical nature of the industry
- ❧ The hard-bid process.
- ❧ Project schedule.
- ❧ Ability to affect demand
- ❧ A manically competitive industry.



# The Mind of the Contractor



- ❧ Most contractors are by nature driven to grow their business.
- ❧ Contractors often are rapid decision-makers who sometimes act too quickly
- ❧ Construction is a high-risk industry
- ❧ Many people outside the industry consider it CRAZY
- ❧ People running construction often believe they can control the risks.
- ❧ Its an industry full of strong egos and also a can-do attitude.
- ❧ Its an industry dominated by male attributes
- ❧ This “Confidence” can be great for getting the job done, but can lead to the downfall of a business.

# What is a contractor contract?



At the very basic level, a contract is a legally binding agreement between the client's organisation and the contractor



# THE DARK SIDE



Having an understanding of the principles of contract law is essential for clients hiring contractors.

**“Living a life is like constructing a building: if you start wrong, you'll end wrong.”**

Maya Angelou quotes (American Poet, b.1928)



# How to review a contractor contract



Contractor contracts can come in all shapes and sizes



# Clients that recognise and accommodate the needs of contractors'



DEADLINES  
TO MEET ?



# Breach of contract



A contract is in breach when one of the parties fails to deliver on a requirement in the contract



# Don't let issues become problems



But where it looks like trouble might be brewing, issues can be nipped in the bud by the client seeking expert help

# TIME, COST AND QUALITY (TCQ) MANAGEMENT IN THE ATTAINMENT OF CLIENT OBJECTIVES

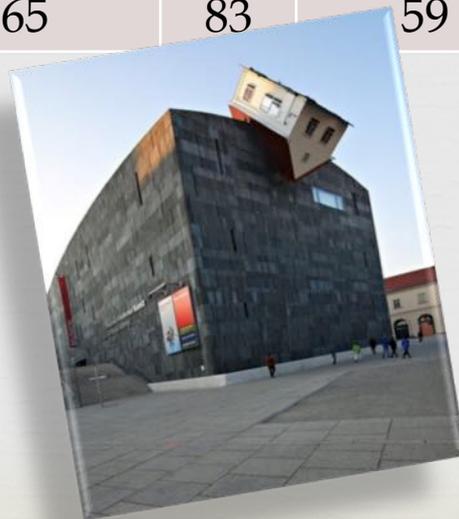


The concept of managing construction projects is deeply embedded in the traditional building procurement system

Perceived extent to which clients are realistic, **all** or **most** of the time, with respect to their expectations of project time, cost and quality at the outset of the project



|         | ALL | CLIENT | ARCHITECT | QS | ENGINEER | PM | CONTRACTOR |
|---------|-----|--------|-----------|----|----------|----|------------|
|         | %   | %      | %         | %  | %        | %  | %          |
| TIME    | 57  | 90     | 33        | 67 | 47       | 60 | 63         |
| COST    | 57  | 70     | 45        | 83 | 41       | 72 | 46         |
| QUALITY | 74  | 80     | 65        | 83 | 59       | 84 | 79         |



# Question



Whether clients are realistic with respect to expectations of time, cost and quality at the outset of the project.

Apart from the client group, quantity surveyors hold the next most optimistic view, a clear majority believing that clients have realistic expectations about time, cost and quality from the outset of a project.



Perceptions of whether **all** or **most** building projects are completed within the client's agreed budget (building cost) for the project



|                | ALL | CLIENT | ARCHITECT | QS | ENGINEER | PM | CONTRACTOR |
|----------------|-----|--------|-----------|----|----------|----|------------|
|                | %   | %      | %         | %  | %        | %  | %          |
| CONVENTIONAL   | 78  | 78     | 75        | 83 | 83       | 75 | 69         |
| DESIGN & BUILD | 77  | 83     | 71        | 76 | 58       | 89 | 94         |
| MANAGEMENT     | 75  | 67     | 54        | 77 | 59       | 95 | 89         |



# Question



What proportion of building projects are completed within the client's agreed cost budget for a project?

Clients clearly appreciate the greater cost certainty attributable to design and build procurement systems.

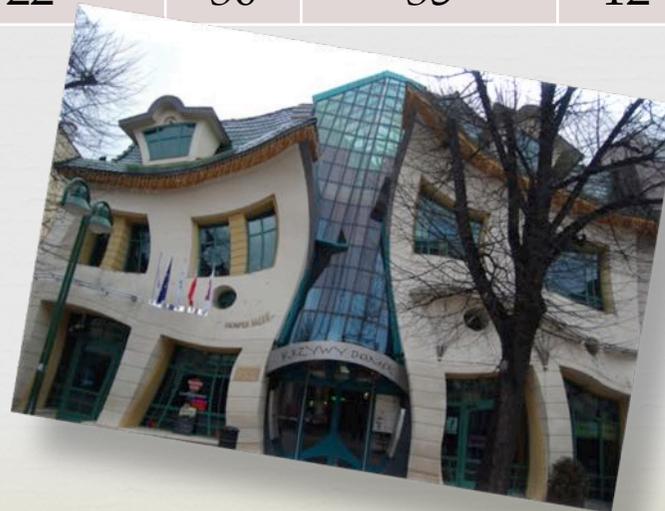
Architects, however, see less potential in management-oriented systems which appear to diminish architects' traditional roles.



Perceived extent to which inadequate briefing of the procurement team by the client is always responsible for client dissatisfaction with the resultant building in terms of time, cost and quality



|         | ALL | CLIENT | ARCHITECT | QS | ENGINEER | PM | CONTRACTOR |
|---------|-----|--------|-----------|----|----------|----|------------|
|         | %   | %      | %         | %  | %        | %  | %          |
| TIME    | 24  | 30     | 22        | 23 | 13       | 20 | 42         |
| COST    | 29  | 56     | 35        | 23 | 30       | 21 | 29         |
| QUALITY | 26  | 33     | 22        | 30 | 35       | 12 | 25         |



# Question



To what extent do clients make changes to the original brief after the start of the project?

80% of client respondents believed that they never make changes to the original brief after the start of the project.

Architects = 58%;

Quantity Surveyors = 67%;

Engineers = 70%;

Project Managers = 60%.

Contractors = 71%

This apparent high regard for their ability to stick to the original brief is clearly not shared by their consultants, or contractors



# Question



At the outset of the project, do clients know what their needs are?

All respondent groups have little faith in clients' ability to know exactly what they want at the outset of a project, particularly with respect to time schedules, quality requirements and methods of procuring the building.



# WHATS THE EXCUSE THIS TIME



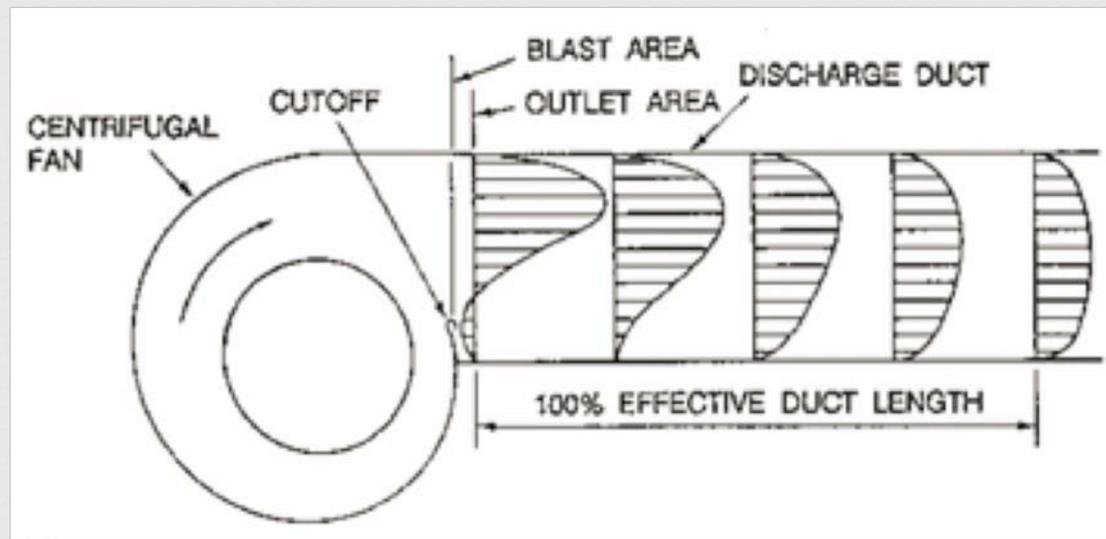
- 'I have not received the invoice'
- 'The cheque's in the post'
- 'I'm not paying, there's a dispute!'
- 'I cant pay you until they pay me'



## AN EXAMPLE OF WHERE WE ENGINEERS CAN GET THINGS WRONG



*The detrimental impact on fan capacity caused by fan system effect is a problem not fully understood by the design industry.*



# Sound-bites

## MINIMISING PROJECT RISK



“CLIENTS HAVE NO INTEREST IN THE RISKS THE CONTRACTORS HAVE TO FACE”

“CLIENTS THINK IF ITS ON THE DRAWING IT WILL ALL WORK ON SITE AND HENCE THERES LITTLE RISK”



“TROUBLE WITH CLIENTS THEY THINK IT'S ALL ABOUT MEETINGS AND COST - CONTRACTORS THINK ITS ALL ABOUT CASH AND RISKS”

# THE CONTRACTUAL RELATIONSHIP



A great building must begin with the un-measurable, must go through measurable means when it is being designed and in the end must be un-measurable.

Louis Kahn



# Why Do Successful Contractors Fail?



The industry has regularly witnessed smart leaders making what appear to be the same fatal mistakes others have made before them. Frequently cited mistakes are:

## **Strategic**

- ❧ Unrealistic growth
- ❧ Volume obsession
- ❧ Unrealistic promises

## **Organisation**

- ❧ Insufficient capital or profits
- ❧ Lack of business knowledge
- ❧ Poor leadership
- ❧ Project losses or poor performance
- ❧ Owner court battles
- ❧ owner bankruptcy

## **Uncontrollable**

- ❧ Industry or economic weakness
- ❧ Banking and surety changes
- ❧ For firms to have stronger preventive guidance, leaders need to understand the causes behind the causes.

# Culture and Systems of the Contractors business



Corporate culture issues have gained recognition in recent years as being more important than historically thought.

- ❧ Clashes in corporate culture
- ❧ Capacity to change
- ❧ Living with the evolution of the market
- ❧ Financial discipline.
- ❧ Adequate capital reserves
- ❧ Decision-making.
- ❧ Succession planning
- ❧ Innovation
- ❧ Strategic planning

and we think we get it right??



“We built tall buildings, but we have not become any taller.”

Dejan Stojanovic