

CONSTRUCTION ENGINEERING MASTERS DISSERTATION ABSTRACT

Conflict, Cost, Construction: Are Clients and Main Contractors Destined for Conflict from the Outset?

Conflict between parties within the construction sector is almost a given. Much research exists that shows 'cost' and 'budget pressures' to be the biggest drivers of conflict within the construction industry, with each independent stakeholder often incentivised to enhance their own profitability or position. However, enhancing one stakeholder's profitability is, more often than not, at the detriment of another stakeholder/s which, by its very nature, creates conflict. This conflict is often seen as the biggest preventer to a more collaborative industry that is so desperately needed.

In order to research this important issue, research methods were undertaken. Quantitative research of 124 participants, representing a mix of clients, client's cost consultants, main contractors and 'Others' (comprising mainly designers) was undertaken. With a fairly even spread between the three main categories, the data provides good insight into three different perspectives on the same problem. Qualitative research was also undertaken to provide a more in-depth understanding of the reasons for conflict. This was focused on interviews with key members from the same three groupings, namely client, client Cost Consultant and Main Contractor, who were all working on the same construction project.

The research supported the view that, dealing with budget pressures, is often the key reason for conflict in the overall construction lifecycle. The research and supporting literature review found the failure to allow sufficient budgets during the pre-construction phase to be the biggest contributor to projects resulting in budget pressures and therefore conflict between parties. This was most noticeable in the isolated project from the qualitative research where, following collaborative working between all parties, the main contractors final contract offer was by c.19% higher than the client's budget for the scheme. A resultant in-depth review by all parties to determine the reasons for this cost pressure yielded an acknowledgement from all parties that the initial budget was insufficient.

The research, specifically from the interviews with the cost consultant, noted the desire to 'keep the project going' and that if clients were informed of the outturn cost at the start of the process, then 'nothing would get built'. In contrast to this, the client research suggests that this actually hindered their wider investment decisions because they 'never know where it will end up' with 92% of the client research showing an absolute preference to 'knowing everything on the table at the outset'. They went further to suggest that had there been prewarning they may have been able to arrange the required funding.

So how do we end up with these budget pressures from the outset, and could unlocking this aid in resolving conflicts we see in this regard? Well, interestingly, client's cost consultants are normally employed on a fee basis with often no incentivisation for management of the outturn cost compared to the original budget. Many clauses exist within main contractors' contracts for a 'pain/gain' mechanism where contractors are incentivised to maintain cost levels or provide betterment; could a similar mechanism for client/Cost Consultant engagement result in realistic budgets from the outset? Generally speaking, clients and main contractors support this type of arrangement; unsurprisingly cost consultants were apprehensive on the inclusion of such mechanism.