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Construction Procurement Strategy

Evaluation of factors influencing construction procurement strategy in the South African water industry



20 November 2016

CONSTRUCTION PROCUREMENT STRATEGY RESEARCH FOR ACADEMIC PURPOSES
PARTICIPANT INFORMATION SHEET, CONSENT FORM & QUESTIONNAIRE

Dear participant

I am a student at the University of the Witwatersrand in Johannesburg in South Africa studying towards an MSc degree in Project Management. I would appreciate your participation in a study I am conducting in partial fulfilment of my studies.

You are invited to participate in the study as my understanding is that you are involved in procurement in construction and you influence/decide on the selection of construction procurement strategies. If my understanding is incorrect, then please advise me accordingly and we will not proceed any further.

I am conducting this research to better understand construction procurement practices in the South African water industry; more specifically, to determine the range of strategies used in the industry for dealing with construction procurement and to ascertain what factors influence the selection of the procurement strategies. Based on the findings, recommendations on how to align procurement strategy choices with the intended project objectives and outcomes will then be developed.

If you decide to take part in the study, the attached questionnaire should take about forty-five minutes to complete. I will administer the questionnaire through a structured interview with you in person at your preferred location.

Your participation in the study is totally voluntary and all information you provide will be treated in the strictest confidence. Further, if during completion of the questionnaire you encounter any questions you do not wish to answer, you may skip these; you may also end the interview at any time should you feel uncomfortable with proceedings or the content of the questionnaire.

I will report the findings from this study in a dissertation and as such the information will be available at the University's library. The dissertation will also be available on the world-wide web. Should you require one; a summary of the findings of the study will be provided to you.

If you have any queries or would like further information, please do not hesitate to contact me, Deena John, on 083 636 1299 or email me at deena.john08@gmail.com. My Supervisor's contact details at the University are: Professor Samuel Laryea, on 011 717 7657 or by email Samuel.Laryea@wits.ac.za.

Thank you for your help.

Deena John

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Evaluation of factors influencing construction procurement strategy in the South African water industry



PARTICIPANT CONSENT FORM

PROJECT TITLE: Evaluation of factors influencing construction procurement strategy in the South African water industry

RESEARCHER NAME: Deena John

Please tick in the box after each statement to which you wish to consent.

1	I confirm that I have read and understand the information sheet for the above titled study and I have had the opportunity to consider the information contained therein	
2	I have been made aware of the purpose of the study	
3	I understand that my participation is voluntary and that I am free to withdraw from the study at any time	
4	I understand that my participation is anonymous and confidential	
5	I agree to take part in the study	

Participant Name	Date	Signature
Name of person taking consent	Date	Signature



QUESTIONNAIRE (SECTIONS A & B)

Section A: General

This section requires some general information on your experience, the project & work environment.

Description	Response (please select one response per question)	
How many years' experience do you have in the construction industry?	0 to less than 5 years	☐
	5 to less than 10 years	☐
	10 to less than 20 years	☐
	20 years or over	☐
Description of project we will review *(detailed description):*		
Locality of project we will review	Urban areas	☐
	Rural areas	☐
Project owner of project we will review	Public sector	☐
	Private sector	☐

Section B: Construction Procurement Strategy (Selection & Factors)

This section requires information from you on the various components and options per component relating to construction procurement strategy and comprises six (*short*) sub-sections as follows:

- Section B1; packaging strategy*;*
- Section B2; contracting strategy;
- Section B3; pricing strategy;
- Section B4; targeting strategy;
- Section B5; procurement methods; &
- Section B6; usage of standard forms of contracts.

Section B1: Packaging Strategy

Packaging strategy relates to how work packages are organised into contracts:

- Projects could for example be grouped together and let out as a single large contract; or
- A project could for example be divided (unbundled) into sub-projects or work packages and let out as smaller contracts; or
- Packages from different projects could for instance be grouped together and let out as a single contract or a framework agreement;

A framework agreement is an agreement between an employer and one or more contractors which enables the employer to utilise to execute specific work as and when required. The agreement specifies the term (period), the scope of work and basis of remuneration; the contractor is however not guaranteed any quantum of work.

Aspect	**Select the statement that best describes what was done on the project you are currently involved in**
On the project I am involved in, projects were grouped together and let out as a single (large) contract	☐
On the project I am involved in, work packages from different projects were grouped together and let out as a single (large) contract	☐
On the project I am involved in, work packages from different projects were grouped together and let out as a single (large) contract under a framework agreement	☐
On the project I am involved in, the project(s) was divided into work packages and let out as smaller contracts	☐
Other *(specify)*	☐

In general, on the project I am involved in, consideration was given to developing the most suitable ***packaging strategy***	**Rate the overall situation on your current project**				
	Strongly Agree	*Agree*	*Neutral*	*Disagree*	*Strongly Disagree*

What factors (environmental & project characteristics) did you consider when deciding on the packaging strategy?

Section B2: Contracting Strategy

Contracting strategy relates to the intended relationship between the client/employer & contractor (*see Figure 1 below*).

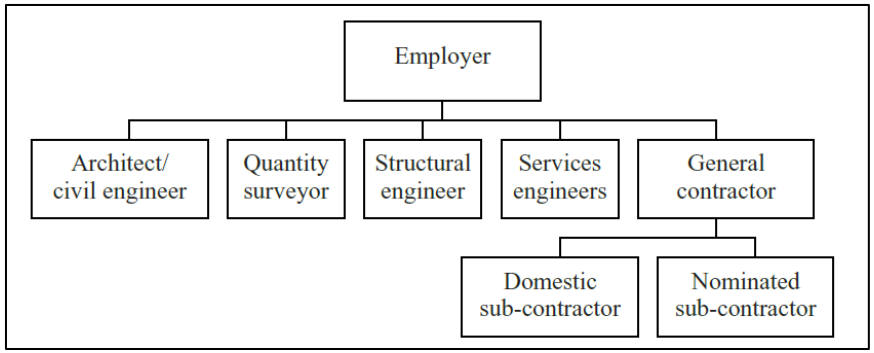
For example, the client/employer may want to retain design responsibility (& risk) with the contractor being responsible for construction only or the client/employer may want the contractor to take responsibility (& risk) for design & construction of the project.

Aspect	**Select the statement that best describes what was done on the project you are currently involved in**
On the project I am involved in, the employer is responsible for the design & the contractor is responsible for construction (***design by employer***)	☐
On the project I am involved in, the contractor is responsible for developing the design based on concepts by the employer & is also responsible for constructing the works (***develop & construct***)	☐
On the project I am involved in, the contractor is responsible for design & construction of the works (***design & construct***)	☐
On the project I am involved in, the engineer/architect/project manager is responsible for overseeing the design & construction process (the employer appoints the professional team & contractor) (***construction management***)	☐
On the project I am involved in, the contractor provides consultation during design & thereafter is responsible for all planning & post-contract activities (***management contracting***)	☐
Other (*specify*)	☐

In general, on the project I am involved in, consideration was given to selecting the most suitable ***contracting strategy***	**Rate the overall situation on your current project**				
	Strongly Agree	*Agree*	*Neutral*	*Disagree*	*Strongly Disagree*

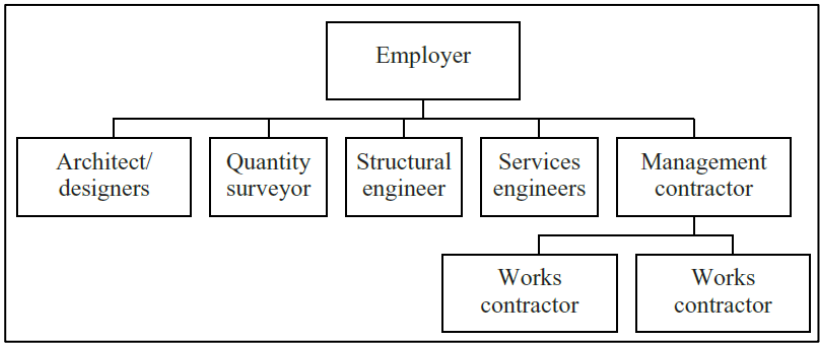
What factors (environmental & project characteristics) did you consider when deciding on the contracting strategy?

Figure 1: Generic Contracting Strategies (Murdoch & Hughes, 2008)



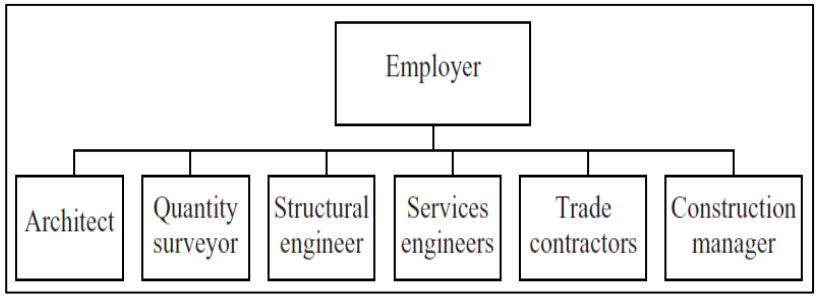
Contractual Relationships in General Contracting

*Also referred to as **design by employer** or traditional contracting; the contractor builds what the designers have designed;*



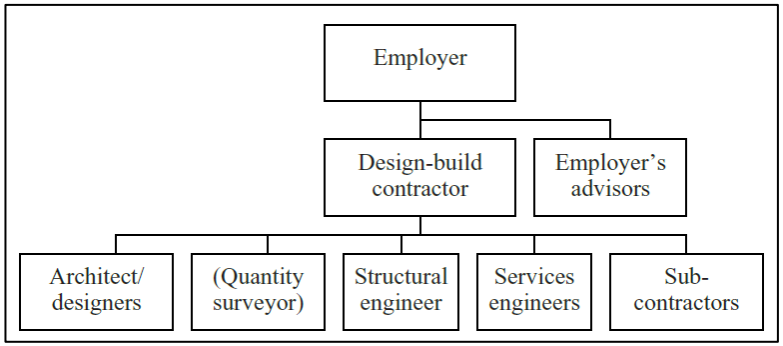
Contractual Relationships in Management Contracting (MC)

MC status is similar to that of the other professionals; MC appoints works contractors but legally responsible for the defaults of the works contractors; construction risk distributed between the employer & works contractors;



Contractual Relationships in Construction Management (CM)

The employer contracts directly with the trade or specialist contractors for the construction of the works; CM role is that of a construction consultant & takes no contractual responsibility for performance of the trade contractors;



Contractual Relationships in Design & Build Contracting

*Also referred to as **design & construct**; the contractor takes responsibility for all or most of the design & builds the works in accordance with the employer's brief;*

Section B3: Pricing Strategy

Pricing strategy relates to how the client/employer secures financial offers from contractors & how the client/employer remunerates the contractor.

For example, the client/employer may choose to secure financial offers using bills of quantities & reimburse the contractor based on actual quantities built into the works or the client/employer may elect to reimburse the contractor for actual costs incurred plus an agreed fee or mark-up.

Aspect	**Select the statement that best describes what was done on the project you are currently involved in**
On the project I am involved in, prices were obtained from contractors using bills of quantities	☐
On the project I am involved in, prices were obtained from contractors using activity schedules (lump sum)	☐
On the project I am involved in, the contractor is/was paid for actual costs incurred plus a mark-up (*cost-plus*)	☐
On the project I am involved in, a target final cost is/was agreed with the contractor after which the contractor is/was paid for actual costs incurred plus a mark-up. At the end of the project, the employer & contractor will share in any upside or downside	☐
Other (*specify*)	☐

In general, on the project I am involved in, consideration was given to selecting the most suitable ***pricing strategy***	**Rate the overall situation on your current project**				
	Strongly Agree	*Agree*	*Neutral*	*Disagree*	*Strongly Disagree*

What factors (environmental & project characteristics) did you consider when deciding on the pricing strategy?

Section B4: Targeting Strategy

Targeting strategy relates to how the client/employer's secondary objectives such as involving local contractors &/or local suppliers in the project are specifically addressed during the procurement process.

Aspect	**Select the statement that best describes what was done on the project you are currently involved in**
On the project I am involved in, participation of local contractors &/or local suppliers were targeted	☐
On the project I am involved in, the small local contractor &/or suppliers were targeted	☐
On the project I am involved in, female-owned construction firms &/or suppliers were targeted	☐
On the project I am involved, youth involvement was targeted	☐
Other (*specify*)	☐

In general, on the project I am involved in, consideration was given to developing the most suitable ***targeting strategy***	**Rate the overall situation on your current project**				
	Strongly Agree	*Agree*	*Neutral*	*Disagree*	*Strongly Disagree*

What factors (environmental & project characteristics) did you consider when deciding on the targeting strategy?

Section B5: Procurement Methods

Procurement methods/procedures relate to how the client/employer obtains financial offers from contractors.

For example, the client/employer may choose to negotiate a price with a single contractor or invite open public tenders to which contractors respond to.

Aspect	**Select the statement that best describes what was done on the project you are currently involved in**
On the project I am involved in, tenders were negotiated with a single contractor	☐
On the project I am involved in, tenders were obtained from contractors through open public tender	☐
On the project I am involved in, tenders were obtained from pre-selected contractors	☐
Other (*specify*)	☐

In general, on my project, consideration was given to selecting the most suitable ***procurement method***	**Rate the overall situation on your current project**				
	Strongly Agree	*Agree*	*Neutral*	*Disagree*	*Strongly Disagree*

What factors (environmental & project characteristics) did you consider when deciding on the procurement method?

Section B6: Standard Form of Contract

In order to regularise the relationship between the parties (employer & contractor), one may choose from a number of standard forms of contracts available in South Africa for this purpose.

Aspect	**Select the statement that best describes what was done on the project you are currently involved in**
On the project I am involved in, the JBCC standard form of contract was/is being used	☐
On the project I am involved in, the GCC standard form of contract was/is being used	☐
On the project I am involved in, the FIDIC standard form of contract was/is being used	☐
On the projects I am involved in, the NEC standard form of contract was/is being used	☐
On the projects I'm involved in, the COLTO standard form of contract was/is being used	☐
Other (*specify*)	☐

In general, on the project I am involved in, consideration was given to selecting the most suitable ***form of contract***	**Rate the overall situation on your current project**				
	Strongly Agree	*Agree*	*Neutral*	*Disagree*	*Strongly Disagree*

What factors (environmental & project characteristics) did you consider when deciding on the standard form of contract?