Unit 1: Construction Project Participants

1.1 Introduction

This unit provides an understanding of the various types of organisation involved in the construction industry who collaborate on temporary projects to satisfy their clients by delivering an outcome that they cannot individually achieve. The processes, structures and divisions of responsibilities around which they structure their working relationships for the duration of each project together comprise its “procurement route.”

This Course examines both the principles and the practice of construction industry procurement. This Unit reviews the identity and role of the many differently specialised organisations and individuals that are often involved in a typical construction project. Some of these will be concerns with design issues; others with its financial control; and others still with the physical activities on site. This Unit briefly reviews the basic premises upon which most construction projects are based.

The learning outcomes of this Unit are:

- To understand the purpose of a construction project’s “procurement route.”
- To appreciate the wide variety of organisation types that must work together well to deliver a successful construction project.
- To understand typical roles and responsibilities of key organisations during the post-contract (i.e. mainly during site activity after award of the tender) project phase.
- To appreciate the objectives and requirements of varying categories/types of clients.
- To identify the key steps required to ensure a successful construction project.

1.2 What does it mean to “procure?”

To understand the procurement of construction projects it is useful to first understand what it means to “procure.” Generally speaking, an object – which in the case of construction is typically a new or adapted building – is said to be “procured” if it is difficult to obtain. The procurement of that object typically involves the use of specialised methods to overcome these difficulties. In the case of construction, procurement addresses difficulties arising from the need to:

- understand how the client wants a project to be delivered (note that this relates to the processes used in the construction project, not the design of the solution itself);
- organise the relationships of the many specialised organisations that must collaborate to deliver the project solution;
- reflect any overarching philosophy or principle that will underpin and guide project activities;
- agree and formally document the responsibilities of each organisation involved in a project, particularly with regard to the distribution of risk among them;
- agree and formally document the processes that will be used to manage the project and move it forward;
• define at the project outset what will be done if things go wrong or if organisations come into dispute with each other; and

• organise the day to day running of the project – the project “administration.”

Construction procurement is concerned with understanding how the client requires a project to be structured and managed so that a suitable arrangement of organisations can be formed and the relationships between those organisations managed to reflect the client’s priorities for project delivery. It is necessary to thoroughly understand the many different ways in which a construction project can be structured so that an appropriate procurement route can be selected to fulfil the client’s requirements.

The construction industry uses many different standard forms of contract to define the relationships between organisations and structure project procurement. A fundamental aspect of selecting an appropriate procurement route is to understand how the client’s requirements for project management must be reflected in the selection of the right contract form. These standard forms of contracts, and their underlying legal principles, are discussed in following course units.

1.3 An overview of the procurement process

The procurement process starts when the client’s core business develops a new strategy. Part of the new primary strategy will be the requirement for a controlled environment as provided by a building. The response to the primary strategy will be a secondary strategy.

The secondary strategy will be an option appraisal. Options that will be considered include: rent, lease, buy an existing building, procure a new building, extend, or refurbish and remodel. At this point, clients often realise that their lack of financial resources may force the project to be aborted before the construction industry even becomes aware of its potential. Other clients who have knowledge of pre-project value management may seek creative avenues that achieve similar results by different means.

Issues explored during the pre-project stage include national and local politics, logistics, proximity, availability, assistance, competition, legislation, social expectations, technology, finance and stakeholder analysis.

The secondary strategy starts within what is called the ‘outline business case’. Once the main board approves capital sanctioning, the project becomes the subject of much enthusiasm and motivation as the internal project manager pushes for delivery.

Once senior management has signalled financial commitment to the project, it enters the “full business case” stage. Issues of location, site, design requirements and a generic procurement route are explored and appraised during this phase. Evaluation criteria may include: strategic, tactical and operational compatibility, access, egress, land acquisition, grants, subsidies and other financial assistance, employee potential, customer gravity, supplier consequences and planning permission feasibility.

Activity 1.1

Write down your definition of procurement.

Provide examples of three different procurement methods you already know with a brief definition of each of them.
What do you understand by optional appraisal? Provide examples.

Time management: 20 minutes max.

1.4 Defining procurement

Procurement can be defined as how the industry organises itself for construction projects. Contracts are the rules governing the relationships between the various parties. The aim of this course is to give an overview of current procurement methods and construction practice used on construction projects that may be utilised not just in the UK but also internationally. The emphasis is therefore on generic practice or principles although reference is made to standard UK and international contracts.

Building procurement is concerned with how clients, once they perceive a need to build, actually go about obtaining that building. The majority of potential clients of the construction industry are faced with a perplexing array of skills and resources required to develop the building that fulfils their needs. All but the simplest of buildings involves the management, design, assembly and commissioning of huge amounts of raw materials and the use of considerable labour resources over a long period of time.

The finished building is the result of a combination of the diverse skills of all the members of the professional and construction team, including the client, working in close collaboration to produce the right result to the required quality and value for money.

Definition

Building procurement can be defined as the careful appraisal of the client’s needs, and identifying and acquiring the necessary external resources needed to carry out the whole or part of a construction project and their integration with the internal resources of the client.

1.5 Construction project parties

The organisations and individuals involved in a construction project are determined by the client’s choice of “procurement route” to structure their relationships. The procurement route is selected in response to several factors, including:

- the project’s nature and complexity;
- the client’s requirements for its delivery; and
- the portfolio of specialist expertise from the construction industry that must work together to ensure the project is a success.

It is important that everyone understands their role in the project and that of those around them. Only by ensuring that the required expertise and role of each different organisation (and, in some cases, individuals) involved in the project are clearly defined and well understood will the ambiguity about “who does what” that can lead to mistakes and disputes be avoided.

The number and identity of the organisations involved in a building project can vary considerably depending on its nature, the procurement route used to structure it, and the portfolio of expertise required to deliver the project. It is critical to identify, particularly in large projects, the parties involved in that project, the terms of the respective appointment, the scope of each individual’s...
involvement and their roles within the project. Brief observations on parties commonly involved in building projects are below.

**Stakeholders**

Stakeholders comprise the many individuals and organisations who have an interest in the project because they are either involved in its delivery or will be affected by the building, facility or piece of infrastructure it creates in the long term. Because stakeholders are affected by the project, they should be able to influence its content and direction.

Stakeholders are usually diverse and, while each construction industry member identified above is a stakeholder of the projects they are involved in, many stakeholders lack detailed understanding of the construction industry, its processes, and its language. Consequentially, increasing effort is being made in the industry to develop ways of better understanding stakeholders on their terms so that their views can be addressed by the project solution and the method of its initial production. This is often difficult, as a single project can have multiple stakeholders who must be satisfied but who have different and often incompatible requirements and definitions of project success.

1.5.1 Employer / client

The term “Employer” is used throughout this Course and generally in discussing contracts. The Employer is the legal entity (i.e. an individual person or, far more commonly, a company) that has employed the Contractor to construct the Works.

It is important to understand the difference between the "client" and the "Employer." The term "client" is used widely and is broadly and imprecisely defined. It can refer to the broad group of stakeholders who will all benefit from the project, or it may refer to those key stakeholders who are the primary focus of the construction industry members developing and delivering a project solution. It could also be used in the same sense as Employer to describe the single legal entity that has employed the Contractor to construct the Works (and, in some procurement routes, also design and/or manage the Works).

For clarity, use the following distinction in this Course: The "Employer" is the single legal entity that has employed the Contractor and therefore has a contract with it. The "client," on the other hand, is the broader group of people and companies whose needs must be fulfilled by the project solution. With this definition in mind, we see that we talk about the client when addressing procurement issues, while we must talk about the Employer specifically when addressing the contract that is used to define and manage the legal implications of construction activity on site.

In most procurement arrangements, the Employer assembles a team of professional construction industry consultants for advice. It is not unusual for an Employer to have never built before. They therefore rely on professional advice from initial definition of requirements and selection of an appropriate procurement route through to agreeing and settling the final account with the Contractor after all construction has been completed and any damages or disputes resolved - sometimes several years later. In a large project, the Employer’s team usually consists of: an architect, design specialists such as structural engineers, interior designers, and space planners to develop the solution; a quantity surveyor to manage cost and procurement issues; a project manager to oversee, co-ordinate and implement project activities; and a clerk of works to oversee quality of workmanship on site. Each of these consultants requires a separate, usually fee-based, contract with the Employer. These consultancy agreements are not examined in this Course. Instead, this Course focuses on "administration" of the contract formed between Employer and Contractor during construction activity.
1.5.2 Architect

The Architect is responsible for understanding the client’s needs for the project and developing a design solution that will satisfy them. They embody this design solution in the drawings and specification that become part of the Contract Documents that, along with some form of Bills of Quantities prepared by the Quantity Surveyor, tell the Contractor what to build. The Architect also has some design responsibility during the construction stage of a project as the Contract Documents will often have to be varied to account for difficulties or problems encountered on site.

Traditionally, the Architect was also responsible for administering the contract between the Employer and Contractor during the construction phase of the project. While they may still perform this role, several other organisations able to fulfil the Contract Administrator role that can administer the contract as an alternative to the Architect.

The Architect is the agent of the Employer and the general law in relation to Agency applies to their actions. The scope of their authority depends on the terms of their agreement with the Employer.

1.5.3 Contract Administrator

The Contract Administrator is a suitably competent person who fully understands the standard form of construction contract being used to structure the Employer’s and Contractor’s relationship. This individual is responsible for applying the contract to the construction phase of the project to ensure that the Employer and the Contractor act in accordance with their rights and obligations under that contract. If either party does not do this, then the Contract Administrator is required to make appropriate decisions in accordance with the requirements of the contract to establish the liability of one party for the payment of damages to the other. As will be explained in the following Units, the Contract Administrator will also make decisions regarding whether events have happened or not, either in response to an agreed, planned event (such as practical completion) or an unexpected circumstance (such as a worker’s strike).

The Contract Administrator is also responsible for overseeing the process of varying the Contract Documents in accordance with the Employer’s requests for variations or is responsible to a variety of situations anticipated as possible by the contract, when then defines the process that must be followed in their event.

1.5.4 Project Manager

Depending on the size of the building contract and the method of procurement the Employer may decide to engage a project manager. If present, the Project Manager’s role tends to be organisational but it is important to define his exact relationship with the other members of the team. Their organisational responsibilities are concerned with managing the project process and co-ordinating the activities and responsibilities of the other project members. In some particularly complicated and usually public sector projects, they - or the Architect - also have an ongoing stakeholder engagement role.

1.5.5 Building Surveyor

The Building Surveyor is employed by the Employer depending on the nature of the project. They are mostly engaged in projects that involve renovation/conversion of existing buildings. They prepare condition surveys of existing buildings; provide solutions to building failures; and also involved in preparation of conceptual and technical design proposals through their unique blend of construction knowledge and design expertise. They can advise clients before a commitment is made to purchase
a real estate asset. Moreover, they bring management skills to projects by managing the designs and delivery of construction projects. Building surveyor is also involved in contract administration issues of construction projects and in running construction contracts.

1.5.6 Quantity Surveyor

The Quantity Surveyor is employed by the Employer to discharge specific functions. These functions tend to be of a financial nature and are usually described as comprise two distinct stages within the project progression:

1. The "pre-contract" stage, which comprises all the Quantity Surveyor's activities prior to the appointment of the Contractor. During this stage, the Quantity Surveyor is usually concerned with providing: cost planning advice; advice regarding procurement issues; and compiling the tender documentation.

2. The "post-contract" stage which commence as soon as the Contractor is appointed and contract administration commences. During this stage, the Quantity Surveyor is assigned several responsibilities by the contract, most notably including: regularly ascertaining the Gross Valuation to inform the Contract Administrator's Interim Certificates that tell the Employer how much to pay the Contractor for the Works completed to date; ascertaining the quantum of Contractor's claims for Loss and Expense when requested to do so by the Contract Administrator. The Employer may also have employed them to provide an additional financial reporting function.

1.5.7 Clerk of Works

The Clerk of Works is the individual on site who is generally employed by either the Employer or the Architect to oversee the detailed execution of the Works and to report back to the Employer or the Architect. Their purpose is to identify any shortcomings in the quality of materials or workmanship observed on site and to direct the Contractor and inform the Contract Administrator accordingly if they find that the quality of the Contractor’s work does not meet the Employer's requirements.

1.5.8 Specialist consultants

In large building projects Employers often employ specialist consultants to advise in specific areas, for example, structural, mechanical and electrical works or heating and ventilating works.

1.5.9 Contractor

The Contractor is the construction organisation employed by the Employer to construct the Works. The Contractor will itself employ and co-ordinate a series of subcontractors and suppliers as it considers necessary to actually construct the Works. However, when viewed from the Employer's legal perspective (as will be done in this Course), it is the Contractor alone that is constructing the Works to comply with design information provided by the Employer (and which is prepared by the Employer's advising consultants: its "design team"). In some procurement arrangements, the Contractor also develops the design solution and may be responsible for managing other contractors. These alternatives to the “traditional” procurement route will be reviewed in Unit 4 of this Course.
1.5.10 Sub Contractors

In practice, the majority of the work on site is completed by a series of subcontractors employed by the Contractor rather than the Contractor itself. Each subcontractor focuses on an element of the work and contributes the specialised expertise, plant and equipment required to complete it. This approach to introducing a workforce to the project provides the flexibility that the Contractor often requires and improves its cash flow by reducing its capital investment and workforce retention obligations.

Subcontractors come in many different forms, from those focused on traditional trades (such as joiners, carpenters, plumbers, roofers, electricians, plasterers, painters, and so forth) where they contribute their craft to achieve the required quality of workmanship, to those that focus on more risky processes and activities (such as steelwork fabrication and erection; data communications; air conditioning; building management systems; and so forth) where highly-specialised technical expertise is required. A further form of subcontractor is the “lump” – the “labour only” subcontractor which provides workers with a limited skill set alone. They use the Contractor’s plant, materials and equipment.

In the majority of situations – although not always – the Contractor is free to choose the subcontractors that it brings onto site. The Contractor is responsible for assessing prospective subcontractors’ ability to competently complete their part of the Works and is “vicariously” liable to the Employer for each subcontractor’s performance. In other words, if a subcontractor makes a mistake, does a poor job, holds up progress, and so forth, the Contractor will have to bear the cost of fixing these issues. If a subcontractor’s poor performance causes the Employer to incur cost, then it is the Contractor who pays damages to the Employer to cover that cost.

A note about capitalisation

Throughout this course it is important to pay attention to the capitalisation of words. Those that are allocated a specific meaning by the contract we will be looking at in detail (JCT SBC/Q 2011) are in title case, while those that are just everyday words are not. For example, in this sentence the word Employer has a capital E because the contractual meaning of this word is defined in the SBC/Q form of contract. In this sentence, the word client is just an everyday word with no contractual meaning, so it is entirely in lower case.

1.6 The client as the driving force of industry change

In the 1990s clients became increasingly dissatisfied with construction industry performance. Projects were often delivered late, over budget or of poor quality and an adversarial “claims” culture emerged. A lack of focus on the client, poorly defined procurement processes, and forms of contract that did not encourage or accommodate collaboration between organisations were allowing project outcomes to drift from their original goals. In key public sector projects, the ‘hard’ consequences of these problems are well documented (see Table 1.1 for examples); similar problems were encountered in the private sector. Both sectors suffered the ‘soft’ consequences of sustained client dissatisfaction with construction industry performance.
Table 1.1: Example Cost and Time Overruns in Public Sector Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Initial cost estimate</th>
<th>Final cost</th>
<th>Slippage</th>
</tr>
</thead>
<tbody>
<tr>
<td>London Underground Jubilee Line extension</td>
<td>£2.1bn</td>
<td>£3.5bn</td>
<td>2 years</td>
</tr>
<tr>
<td>Guy's and St. Thomas' hospital</td>
<td>£36m</td>
<td>£160m</td>
<td>&gt; 3 years</td>
</tr>
<tr>
<td>Faslane Trident base</td>
<td>£100m</td>
<td>£314m</td>
<td>2.5 years</td>
</tr>
<tr>
<td>Scottish Parliament Building</td>
<td>c. £40m</td>
<td>£414m</td>
<td>3 years</td>
</tr>
</tbody>
</table>

In response to these problems, two key joint industry and government reports were published to stimulate innovation in construction industry practice: the Latham Report in 1994 and the Egan Report in 1998.

These reports prompted substantial change in construction industry practices and the ways in which it interacts with its clients. Changes to the principles and structure of basic procurement routes have been reflected in recent revisions to most standard forms of construction contract. In addition, several new forms of contract have emerged to provide new procurement routes that integrate the client into projects structured around collaborative working.

In the first report – “Constructing the Team” – Sir Michael Latham commented [1]:

“Implementation begins with clients. Clients are at the core of the process and their needs must be met by industry”

This industry review sought to promote the role of the client as driver of innovation in construction to improve its management practices. The review highlighted the importance of clients as the driving force of construction projects and, in response to the prior dissatisfaction of clients with construction industry output, reminded the industry that client needs must be understood and met.

Latham advocated closer working relationships between clients and construction organisations. He highlighted the importance of clients seeking professional advice to ensure the correct procurement route is chosen for their project, as this decision fundamentally determines the likelihood of project success, as viewed by the client. The selection of an inappropriate procurement route has been shown to be the main cause of client dissatisfaction with industry output [2].

At the time of the Latham report, industry understanding of value was limited to “value for money.” As a consequence Latham also recommended that the construction industry achieve a 30% reduction in the real cost of its output; an objective that gained considerable attention.

Despite the prominence of this report and the importance of its recommendations, many historical structural and attitudinal aspects of the construction industry remained as the construction industry found itself unable to innovate in the required manner. The success of the Latham report was therefore limited to raising awareness of the industry’s problems and the recognition that solutions may be found in the greater collaboration of organisations. The Latham Report also made several recommendations for revision of legislation to simplify dispute resolution practices. Many of these were adopted in the Housing Grants, Construction and Regeneration Act 1996 (“The Construction Act”), which was published shortly after the Latham Report in 1996 and, among other things, mandated opportunities for disputes to be solved by adjudication.

In 1998, the Egan Report sought to stimulate further improvement in the quality and efficiency of the construction industry. Noting that clients were still incorrectly equating the procurement of buildings for the least cost possible with the achievement of value, “Rethinking Construction” [3] proposed five drivers for change in the construction industry:
1. Committed leadership
2. A focus on the customer
3. Integrated processes and teams
4. A quality driven agenda
5. Commitment to people

The Egan Report had an immediate impact on the industry and, in addition to highlighting the importance of adequate training to address its skills shortages, encouraged the transformation of its processes to work much more closely with clients. This encouraged clients to lead the process of change by helping the industry to understand what they need so that project processes could be adapted to suit.

In light of these recommendations, a series of demonstration projects were undertaken to illustrate the ability of advanced practices from other industrial sectors (most notably automobile manufacturing) to improve construction performance and increase awareness of the potential of client collaboration to improve client satisfaction. As a consequence of the benefits demonstrated by projects run in accordance with the recommendations of this report, several new procurement routes have emerged. Further, although many long-standing procurement routes continue to be widely used, they have also undergone change in response to these principles wherever possible.

In 2002, the further joint industry and government “Accelerating Change” report of the Strategic Forum for Construction (chaired by Sir John Egan) [4] summarised industry progress in changing its processes to satisfy clients. Prior to this report, a series of “Movement for Innovation (M4I)” projects had demonstrated the advantages of adopting the Latham Report recommendations for change.

The demonstration projects were heavily-promoted and were found to bring significant improvements in industry performance arising from improved client integration, non-adversarial project environments, and a shift away from lowest-cost competitive tendering and further stimulated shifts in industry practice towards collaboration. Accelerating Change sought to see 50% of construction projects by value procured from integrated project teams and supply chains by 2007. As will be shown in this Course, this goal has not yet been achieved although considerable progress towards it has been made.

In addition to focused studies, clients themselves have also begun to seek greater involvement in construction projects in recent years. Many clients now seek working arrangements which may be established for individual projects or may span several projects of repeat builder clients. The relationships have arisen as a consequence of an increased importance of procurement methods such as partnering and strategic alliances to client business performance. They have, in turn, created specialised areas of procurement associated with performance management, and the use of performance indicators to monitor partnership performance. These are reflected in the provisions of the new forms of contract used to structure these working arrangements.

### 1.7 Understanding clients

Clients can be split into two distinct groups: private sector clients and public sector clients.

Clients from the private sector are many and varied and have no single source of representation or guidance when procuring construction projects, although they do have bodies and associations (such as the British Council for Offices, the Construction Clients’ Group, for example). Clients that build
regularly (e.g. large supermarket chains) tend to develop their own methods of procuring construction projects and have their own function divisions that manage their ongoing construction programmes. Other private sector clients who build infrequently rely heavily on construction professionals for advice and to manage the process for them.

Public sector clients procure projects from the construction industry within frameworks provided by central government bodies such as the Office of Government Commerce. Within these guidelines, individual departments and regional bodies develop their own approaches to the procurement of construction. Public sector clients are generally concerned with certainty of budget and quality and, above all else, ensuring public accountability as they are spending public money.

There is, therefore, a distinctly fragmented client base for construction work in the UK in both the private and public sector. There are many different types of client, ranging from single individuals who might only require a small one-off building to large multi-national organisations with continuous building programmes. They all have one thing in common and that is that they are only undertaking a construction project, with its attendant challenges, demands and potential dangers, because there is no other business solution that meets their needs. For many clients, the difficulty, expense and time required to obtain a new or adapted building makes the decision to build a “last resort,” taken when no other way of fulfilling their business primary strategy is available.

Because every construction client has different requirements for project outcomes and the manner by which they require it to be delivered, it is necessary to understand each client individually so that a suitable procurement route can be recommended (or developed if none of the standard options are suitable). It is, therefore, useful to consider the various categories of client and their main objectives.

**Activity 1.2**

What do the main types of client want when procuring construction projects?

*Time management: 15 minutes max.*

Clients can be considered in terms of their experience in interacting with the construction industry. Clients who build regularly – perhaps continuously – can be considered experienced. They will typically possess in-house construction expertise and may have standardised design and procurement methods into which construction industry members must fit. These clients often run partnering or alliancing programmes to sustain long-term relationships with selected construction industry members that have proven themselves able to provide the service the client expects. Experienced clients tend to lead the procurement process.

Clients who build infrequently, on the other hand, require considerably more guidance from industry to help them understand their own needs, reach a decision to build (when appropriate), and develop a procurement strategy. Following this, procurement of their projects more often adopts standard industry procurement routes and inexperienced clients tend to require to be led through the procurement process.

Further insight into the nature of clients can be obtained by considering their basic type. Clients are generally considered to be one of four generic types:

1. Property and development companies
2. Investors
3. Occupiers

4. Local and central government authorities

It must be emphasised that these descriptions are generic and provide basic understanding only. Every client must be fully engaged to understand their individual requirements for project procurement. No client should be stereotyped, and no assumptions about the suitability of a procurement route to their priorities should ever be made.

1.7.1 Property and development companies

The objective of a property company is to make a financial profit from the process of development. Within this overall objective, the aims and activities of property companies can vary considerably.

Some companies may specialise in terms of location, others in certain types of property such as offices or retail developments and others in a certain type of development process such as refurbishing buildings. This form of specialisation in a regular building programme allows the company to attain above-average knowledge of their particular market, location or process so that they are more likely to achieve success in their construction project.

Alternatively, some property and development companies deliberately avoid specialisation and try to spread their risks, either geographically or in terms of type of property or development process. They aim for a balanced portfolio of projects within their building programme. They will still be knowledgeable clients who understand the workings of the construction industry, but some projects may require careful consideration when they have not previously carried out one of a similar nature.

The financial objectives of these companies also vary. Some seek to sell each project before it is completed to take an immediate capital profit. Others try to retain an interest in the property to earn income in the long term.

The main influencing factors for this category of client will be anything affecting the financial position of the project. The cost of the project will be a main priority, especially if the budget is exceeded. Any measures that can control costs effectively on a project will dominate.

Time will also be an important factor, especially if the building cannot be sold until it has been completed. The sale of the building releases the developer from the risks associated with the construction project, the costs of financing the project and, hopefully, generates profits from the proceeds of the sale. In addition to the speed of project delivery, the certainty of the time required to deliver is also of importance to these clients. A project completed too early may be as detrimental as a project completed too late.

Quality is generally of secondary importance, especially if it costs too much. The level of quality will be the minimum necessary to satisfy the requirements of the particular type of building (as determined by expectations in its marketplace) and to ensure that the building will be sold or leased.

1.7.2 Investors

As with property companies the objective of investors is direct financial gain, but with a long-term view. They are more concerned with obtaining a regular flow of rental income over an extended period of time.

Usually they will purchase a suitable existing building, perhaps a recently completed development that has already been let out to tenants. This avoids the need to adopt any of the risks associated with construction.
When investors do become involved in construction projects, they do so because there is no suitable building available or the high rate of return they expect to get from the development outweighs the risks they have to assume when constructing.

Policies of investment companies will differ, but they all tend to seek a balanced portfolio of property uses, rather than specialising in one particular use. Most companies try to spread their investments geographically although some may concentrate on the area or market sector that they know best. They tend to be cautious and dislike unorthodox buildings and uses, unusual lease terms and less conventional building procurement paths. They may avoid properties that will involve substantial management and often prefer a building to be let to a limited number of tenants and/or particular kinds of tenants.

Investment companies will have requirements similar to those of property developers, but the emphasis will be on a long-term view rather than for short-term gain. As a consequence, investors may be prepared to spend more time and money to ensure that they get a quality product. They seek to balance time, cost, but require the building to be functional so that it can earn an income by being fit for purpose.

1.7.3 Occupiers

Occupiers try to obtain a building that will be best suited to their individual needs. Their requirements may range from simple workshop extensions to highly specialised buildings to accommodate complex industrial processes.

Occupiers in general only undertake building developments on an irregular basis and have a limited knowledge of the construction industry. This lack of understanding exposes them to considerable risk associated with building development, principally of possible increases in the price and delayed completion.

In some ways the risk for occupiers may be greater than for property developers and investors because of the consequences of time constraints. A owner-occupier may decide to expand its accommodation to house a new process or implement a new marketing approach. The cost of any delay in the building project may only constitute a small part of the final cost (i.e. the cost of implementing the client’s primary strategy) but the hold-up in production or provision of a new service could lead to a substantial loss of orders, to missed opportunities and even to a ruined reputation. Thus, for these occupiers time would be the main criteria with cost and quality secondary requirements.

Occupiers who are developing office space or headquarters accommodation will not be so concerned with time, but will have quality as their main concern. The standard of the building reflects their company’s position and standing, therefore they will typically want the most prestigious building that they can afford. With occupiers, the principle criteria need to be assessed on a specific project basis.

1.7.4 Government bodies

These public sector clients can be both occupiers and developers.

As occupiers, or as the suppliers of accommodation in some form or other, they often build on a regular basis. Until recently they had the benefit of acting as a single, large client. They could benefit from the skills and knowledge of centralised procurement agencies acting on their behalf. Now all government organisations act independently in procuring buildings and some may be at risk due to the lack of specialist knowledge and skills that may be required for certain projects.
They are now often involved with building projects for some profit, either on their own or with property developers. This is as a result of government policy whereby most public works must be self-financing.

The main priority of local and central government authorities is to find a suitable compromise between the three principle criteria of time, cost and quality. This compromise must be reached with a view to satisfying the requirements of public accountability. This often requires an evaluation of other possible effects, other than monetary, of the development on the community and the environment. More sophisticated techniques of project evaluation, such as cost benefit analysis, may be required in these circumstances.

In contrast to occupiers, who only have their own organisation to satisfy, local and central government clients often have many different stakeholders involved in their projects, each of which has to be engaged in the project to ensure they will be satisfied by the outcome, even though they all usually have different expectations. This stakeholder management is a complex issue.

1.7.5 Summary of client types

In light of the above review, the typical concerns of different client types is summarised by Table 1.2.

<table>
<thead>
<tr>
<th>Client Type</th>
<th>Objective</th>
<th>Principle Concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property and development</td>
<td>Profit</td>
<td>Time and cost</td>
</tr>
<tr>
<td>Investors</td>
<td>Long term rental income</td>
<td>Cost and quality</td>
</tr>
<tr>
<td>Occupiers</td>
<td>A building best suited to</td>
<td>Generally a balance of time, cost and</td>
</tr>
<tr>
<td></td>
<td>their individual needs</td>
<td>quality</td>
</tr>
<tr>
<td>Government bodies</td>
<td>Depends on whether they</td>
<td>Time, cost, quality and public accountability</td>
</tr>
<tr>
<td></td>
<td>are adopting an occupier or</td>
<td></td>
</tr>
<tr>
<td></td>
<td>developer role</td>
<td></td>
</tr>
</tbody>
</table>

1.8 References