

*Appendix Six – Incentivisation
Questionnaire Comments*

Questionnaire full answers.

Project A

301171– Cost Manager, 1-3 years

Question 3

Incentivisation. Every Individual project is different.

301070 – Cost Manager, 0-1 year

Question 3

15% is far too high. Pain Gain induces contractors to finesse their targets (which are not subject to deep scrutiny with the result that when they beat the target, and harvest the gain, one is left with the impression that they were not looking for best value to begin with. The incentive might be better than no incentive but it introduces a level of bureaucracy into the process, assessing the target, checking to see if it is reasonable etc. All very good for cost consultants certainly but it does produce some unintentional behaviour patterns.

300868 – Planner, 1-3 years

Question 3

Each job should be taken on its merit - gain share doesn't necessarily provide the best incentivisation mechanism. Whatever incentivisation is chosen should be decided upon early, however, in order to prepare for and manage the mechanism.

Question 6

This priority list will change order depending on the specific Project. Consider an Olympic Village which must be finished on time ahead of all other priorities, or a cathedral which would demand the highest quality of workmanship regardless of time and cost.

300565 – Cost Manager, 4-6 years

Question 3

On the basis that the partner(s) are in at the beginning the sooner they are involved the sooner they can influence for mutual benefit. Some projects are not always suitable for incentivisation but usually these schemes are smaller in value and where the scope is more difficult to define

Question 4

Engaging with the 'correct' partner who shares the same vision is essential, if this is achieved the other points above will be worked out and agreed together. If you do not have the correct partner then you will not achieve the other items

Question 6

The client I work for is very deliver and H&S focused. However I have completed from a perhaps my own focus of cost management. In the environment I currently work in completion of schemes on time within budget is the key deliverable, the remainder of items are almost a given in terms of defect and dispute. Also Health and Safety has become a very focused area which leads back to engaging with the right contractor to start.

300263 – Client, 10+ years

Question 3

Not every project is suitable for Target Cost arrangements and not all contractors are capable of dealing with them, and so there remains a place in the market for traditional lump sum arrangements The tolerance of +/- 15% is too general. I would regard 15% as the top end with 5% being a more acceptable outcome where the parties understand and have confidence in the arrangements and risk transfer. The contractor should have to work to achieve gain and there is always the risk that they will seek a "soft" target to enable gain to be taken without much effort to reduce costs.

Question 4

The need for good relationships based upon open transparent and honest processes and people is fundamental to success.

300767 – Cost Manager, 4-6 years

Question 3

Project A deliver hundreds of schemes in the year. In my opinion pain / gain for feasibility or design stage should be dealt with separately to individual schemes. Every scheme should be pain / gained once the design is 90 - 100% complete. 15% of what??? We deliver schemes each year ranging from £500 to £2million. One % for the industry will not work etc.

Question 4

1,2,3,4, all very close together

301373 – Contract Manager, 7-9 years

Question 3

The share range should be adjusted depending on the type of project, value and timescale. In most instances a tighter percentage band should be applied if the industry is to improve overall execution.

300969 – Cost Manager, 4-6 years

Question 6

In a partnering arrangement the budget the drive to reduce cost through incentives must mean that being below budget with an accurate target is a good identifier of the system working as it should do.

301272 – Cost Manager, 4-6 years

Question 3

I agree that the target cost needs to be set as early as possible to allow that project or scheme to start construction on schedule. I disagree that 15% should be set out as the pain/gain percentage for every project; the percentage should be variable depending on the size and nature of the project.

302383 – Quantity Surveyor, 7-9 years

Question 3

The contract should be awarded based on an agreed pain/gain mechanism, not “introduced” at some arbitrary time. Each project is different with varying risks, so not all contracts would benefit from pain/gain arrangements. It may be more cost effective for the client to go “lump sum”. To incentivise the contractor you would have to go for a pain/gain split of around 50%. 15% is too low.

Question 6

Health and safety at top of any list – always. No disputes is a big time/money saver. For the contractor ‘on time’ means more profit usually. For the client, the priority is quality and no defects.

302181 – Project Manager / Cost Manager, 1-3 years

Question 3

Current pain/gain share at project A is on job below, business plan, is 50% pain 30% gain. Jobs over business plan; pain is 50% and gain 10%. Therefore on equal jobs the contractor is unable to make back loses on the next job. This promotes behaviours that are in the best interest of partnering. E.g. below business plan job, loss = £1, next job over business plan, job makes £1, contractor gets 10p. Therefore this job needs to make £5 to cover previous losses.

Question 4

KPI’s need to be aligned. Contractor trust and honesty is absolutely critical.

302282 – Contract Manager, 10+ years

Question 3

The introduction of gain share early, enables the industry to provide, and share the benefit of expense early, before opportunity is lost. Every project, because of the requirement to provide consistency, who would know which to cherry pick? 15% is a reasonable percentage, perhaps needs to be a little higher if anything.

302080 – HSE Advisor, 4-6 years

Question 3

Figure to high +-5%.

301979 – Designer, 7-9 years

Question 3

It depends who has the biggest influence – Cost consultant or designer. Both can affect the target cost, thus affecting the margin. It also depends upon the clients, objectives, or quality of the finished product required.

301878 – Proposals Manager, 7-9 years

Question 3

Early as possible – By setting the incentivisation early in the project, all parties are tied into the development and delivery of the final scheme and outturn costs. Every project – If working as we do in project A, by being tied into the same agreement on each project, it means you have to take the good with the not so good. Plus or Minus 15% - This is a sensible figure that both incentivises and protects both the client and the partner.

Question 4

Trust and commitment – There must be a high level of trust and commitment between the client and the partner if the venture is to succeed.

Question 6

If the health and safety is of a high standard and the team spirit is high, all the other aspects of delivering a quality project on time and under budget are made easier.

301777 – Contract Manager, 4-6 years

Question 3

Some jobs too small to incentivise – proportionally higher contract admin. Share percentage needs to be at least 20% to affect additional risk to contractor.

301676 – Project Manager, 7-9 years

Question 3

Target cost, compiled from information available, the accuracy of the target cost is only as good as the info provided. Wouldn't apply a %, but it should be well within 15%.

Question 4

Common goals/objectives essential, to make partnering successful.

Question 6

Safety/quality/programme and cost all important when cooking for repeat work (all need to be maintained to a high/acceptable level).

301575 – Contract Manager, 4-6 years

Question 3

I don't agree that letting contracts is a cost effective method when using the target cost model. Too much time and effort is spent analysing costs and risks. This prolongs the tendering process dramatically and hence the overall programme. Inevitably these projects cost more.

Question 4

Trust is the key elements in partnering. Trusting relationships cannot be built overnight.

Question 6

Prompt handover signifies few if any minor hiccups or defects.

301474 – Civil Designer, 1-3 years

Question 3

Agree – for planning measures and cost control issues.

Disagree – cannot paint everything white in construction industry some things cannot be frogmarched.

300464 – Cost Manager, 1-3 years

Question 3

A – Both parties should be aware of early pain as soon as possible.

B – In my opinion partnering agreements are not value for money for the client.

C – 15% is a reasonable parameter.

Project B

300160 – Cost Manager / Project Manager, 4-6 years

Question 3

My experience suggests a larger percentage would be more effective.

290260 – Project Manager, 10+ years

Question 3

Early agreement of gain share is important; however the contractor's enthusiasm for making money needs to be considered when agreeing the target cost.

Question 4

The correct contractor is important, however, the correct individuals are equally important and an early resolution of any disputes is required.

Question 6

Since the contractor is responsible for quality it is vital the contractor adheres to his written quality plan, not just fill in paperwork to conform to his quality system.

290161 – Project Manager, 1-3 years

Question 3

My experience of partnering is that :-

- Target costs are set high therefore no pain.

- Staffing levels are higher than traditional contracts.
- Consultant's designs evolve as the project progresses.

Question 4

The key factors are:-

- Getting a comprehensive design 100% complete.
- Setting a target cost that is challenging.

290665 – Project Manager, 7-9 years

Question 3

The emphasis should be on reaching an equitable and measurable basis for incentives before committing to contract. The lead in time would not be justifiable for most small projects.

Question 4

The target cost must be a realistic expectation of the out-turn cost of the project and should not be inappropriately adjusted to meet a client's budgetary expectations. Getting the target cost right is more important than setting it early on in the project.

Question 6

All of the above items contribute to the success of a project the relative importance is not relevant.

290362 – Project Manager, 4-6 years

Question 3

Not every project would require pain / gain initiatives.

Incentives will help get buy in from all participants.

290564 – Client, 7-9 years

Question 3

Not suitable for all projects as there is a managerial cost. Small projects (unless part of a major framework) should use other forms of contract/procurement.

Question 4

Setting target cost early may not result in best value – either high cost with real and possible risks all priced or low cost with risks not addressed resulting in considerable debate.