The cidb Construction Industry Indicators Summary Results: 2009

The cidb Construction Industry Indicators (CIIs) are measures of the industry, focussing on clients, the client’s agent / consultant and contractors. The CIIs have been captured annually since 2003, and are currently being captured by the cidb in partnership with the Department of Quantity Surveying and Construction Management of the University of the Free State.
The cidb Construction Industry Indicators (CIIs) are measures of the performance of the industry, focusing on clients, the client’s agent / consultant and contractors. The CIIs have been captured annually since 2003, and are currently being captured by the cidb in partnership with the Department of Quantity Surveying and Construction Management of the University of the Free State.

The summary results presented in this publication reflect selected indicators measured for projects completed in the 2008 calendar year. The responses were drawn from 332 client departments and 1169 contractors from across all nine provinces. The indicators presented here cover:

- client satisfaction;
- contractor satisfaction;
- profitability and payment delays;
- procurement indicators; and
- health and safety.

**Key Focus areas – the “bottom 30%”:**

As in previous years, while the overall performance results for the industry are encouraging, and overall show an improvement over previous years, the challenge is to raise the performance of the industry as a whole, and in particular the performance of “the bottom 30%”:

- Clients were neutral or dissatisfied with the performance of contractors on 18% of the projects surveyed in 2009. Significantly, clients were least satisfied with the performance of contractor in the residential building sector, followed by civil works and special works.
- Around 12% of the projects surveyed had levels of defects which are regarded as inappropriate.
- Contractors were neutral or dissatisfied with the quality of tender documents and specifications obtained from clients on around 26% of the projects surveyed. A noticeable decrease in satisfaction was observed with increasing project size. Contractor satisfaction was lowest for national/district council clients, followed by national departments.
- Contractors were neutral or dissatisfied with the management of variation orders on 31% of the projects surveyed. Contractors were least satisfied with the management of variation orders with the national departments, followed closely by the private sector and regional /district council clients.
- 57% of payments to contractors were made 30 days or longer after invoicing and payment delays in 2009 show quite a significant deterioration over the payment delays in 2007 and 2008. Payment delays recorded in the 2009 survey were highest in the private sector and with national departments.
- Around 35% of projects surveyed in the public sector were undertaken using contract documents other than those recommended in the cidb’s Standard for Uniformity. Of significance is that around 50% of the contract documents from national and provincial departments were undertaken using contract documents other than those recommended in the cidb’s Standard for Uniformity.
- Safety on building and construction sites as well as transportation to the sites remains a concern.

The full report is available on the cidb’s website http://www.cidb.org.za.
Performance Improvement; Why is it Important?

What is client satisfaction?
The level of satisfaction of a client with a contractor’s performance on a project is an important indicator (or measure) of the contractor’s ability to execute and complete a project within the required expectations of the client. “Feedback is the food of champions”, and it is important for contractors to get feedback from clients on their projects so that they can improve their performance on future projects.

Performance and competitiveness
Not only is client feedback to contractors on individual performance important, but it is also important for contractors to know how they measure against the industry norm – which is an indicator of their competitiveness. The CIIs presented here provide a platform where contractors can measure their performance against the industry norm.

Why is it important to improve?
The contractor’s survival depends on repeat work from clients, which is linked to the contractor’s performance on past projects. Contractors need to provide value for money to the client, as many clients are no longer awarding contracts on the lowest tender price, but also include the performance of the contractor on past contracts.

Contractors who improve their performance and, typically, who are above the industry norm will have a competitive advantage over their competitors. Contractors will also be able to complete the projects in less time, at less cost and higher quality, add value for money to the client and achieve higher profit margins.

“Clients in construction want their projects delivered on time, on budget, free from defects, efficiently, right the first time, safely and by profitable companies. Regular clients expect continuous improvement from their construction team to achieve year on year reductions in project cost and reductions in project time.”

Movement for Innovation (M4I), UK

These are but a few benefits that are possible through improved practice.

By capturing and publishing these CIIs, the cidb’s aim is to encourage the construction industry and its supply chain to strive to improve their performance.
Performance of the agent / consultants’ team:
Clients were satisfied with the overall performance of the agent employed on 85% of the projects surveyed in 2009. On the other hand, clients were neither satisfied nor dissatisfied (i.e. neutral) on 13% of the projects, and dissatisfied remains unchanged on 2% of the projects. Notably, client satisfaction increased from 78% in 2007 to 85% in 2009. A noticeable decrease in client satisfaction with the client’s agent was recorded with increasing project size – although this may be attributable to the fact that clients may be more discerning on larger projects.
Performance of the contractor:
Clients were satisfied with the overall performance of the contractor employed on 82% of the projects in 2009 –up from 77% in 2007. On the other hand, clients were neutral or dissatisfied on 18% of the projects in 2009. Significantly, clients were least satisfied with the performance of the contractor in the residential building sector, followed by civil and special works.

A noticeable decrease in client satisfaction with the performance of the contractor was observed with increasing project size, and client satisfaction tends to be slightly lower in the private sector than the public sector.
**Construction schedule:**
Clients were satisfied that contractors completed the project within the tendered construction schedule (excluding the impact of variation orders) on 79% of the projects, and were neutral or dissatisfied with the construction schedule on 21% of the projects. Significantly, client satisfaction has increased from 68% in 2007.

**Quality of work delivered:**
Overall, clients were satisfied with the quality of the completed work at handover on 81% of the projects, and were neutral or dissatisfied on 19% of the projects in 2009. Notably, client satisfaction with the quality of work delivered was the lowest in the residential building sector, and highest in electrical, mechanical and civil works sectors.
Resolution of defects:
Clients were satisfied with the resolution of defective work during the construction period on 77% of the projects surveyed in 2009, and were neutral or dissatisfied on 23% of the projects surveyed. As with most aspects of client satisfaction with the performance of contractors, client satisfaction with the resolution of defects tended to decrease with increasing project size.

Level of defects:
Around 88% of projects surveyed in 2009 were “apparently defect free” or had “few defects” at practical completion / handover, and 12% of facilities had “some defects” or “major defects”. The level of defects however shows good improvement from the 2007 to the 2009 surveys.

Client satisfaction is a key factor in determining client loyalty and repeat business in the private sector. Quality is also increasingly being taken into account in the tender adjudication process in the public sector.

While the overall results for client satisfaction are encouraging, and typically show improvement over previous years, the performance of the client’s agents and contractors on 20% to 30% of projects surveyed are distinctly below the performance of their peers. These organisations should better manage their performance as it could substantially influence their ability to attract repeat business.

The 2009 survey has also highlighted that client satisfaction tends to decrease with increasing project size, and that client satisfaction appears to be the lowest in the residential building sector. Client satisfaction also appears to be slightly lower in the private sector than the public sector. Overall, client satisfaction appears to show good improvement over previous years.
Performance of the client:
Contractors rated the performance of clients as satisfactory on 79% of the projects surveyed in 2009, 18% as neither satisfactory nor unsatisfactory, and 4% as unsatisfactory. Contractors’ satisfaction was highest with public corporations and lowest with national departments, metropolitan councils and the private sector. Of significance is that contractors’ satisfaction with clients decreased with increasing contract size.
Contract procurement / adjudication:
Contractors were satisfied with the procurement/adjudication processes on 82% of the projects surveyed, and were neutral or dissatisfied on 18% of the projects. A slight improvement in contractor satisfaction with the procurement/adjudication process has been observed between 2007 and 2009.
Quality of tender documents and specifications:
Contractors rated the quality of tender documents and specifications of clients as satisfactory on 74% of the projects surveyed in 2009, and were neutral or dissatisfied on 26% of the projects. A noticeable decrease in satisfaction was observed with increasing project size. Contractor satisfaction with the quality of tender documents and specifications was lowest for national/district council clients, followed by national departments.

<table>
<thead>
<tr>
<th>Year</th>
<th>Satisfied</th>
<th>Neither Satisfied nor Dissatisfied</th>
<th>Dissatisfied</th>
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<tbody>
<tr>
<td>2009</td>
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<td>2008</td>
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<td>2007</td>
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The graph shows the distribution of contractor satisfaction levels across different sectors and project costs.
Management of variation orders:
Contractors were satisfied with the management of variation orders on 69% of the projects surveyed in 2009, but were neutral or dissatisfied on 31% of the projects. Contractor satisfaction with the management of variation orders does not appear to have changed significantly since 2007. Contractors were least satisfied with the management of variation orders in 2009 with the national departments, followed closely by the private sector and regional /district council clients.

The quality of tender documents and specifications as well as the management of variation orders are a matter of concern in the industry – and is likely to be a reflection of the procurement capability of clients and their agents.
Profitability:
Contractors achieved profit margins of greater than 5% on 74% of the projects survey in 2009, while 23% of projects surveyed were undertaken at profit margins of 5% or less, and 4% at a loss. No noticeable increase in profitability was recorded between the 2009 and 2007 surveys.

Payment of Contractors:
In the 2009 survey, 42% of payments were made within 30 days of invoicing, 48% between 30 to 90 days, and 9% over 90 days. The payment delays in 2009 show quite a significant deterioration over the payment delays in 2007 and 2008. Payment delays recorded in the 2009 survey were highest in the private sector and with national departments, and the lowest with metropolitan councils.
Payment of Client’s Agent:
47% of client’s agents were paid within 30 days of invoicing, 46% between 30 to 90 days, and 7% over 90 days.

Profitability of contractors on projects has improved slightly over 2007, but prompt payment to contractors has deteriorated significantly, with around 9% of payments being 90 days and over. Payment delays were the highest in the private sector and national departments.
General Conditions of Contract:
Around 35% of projects surveyed in 2009 in the public sector were undertaken using contract documents other than those recommended in the cidb’s Standard for Uniformity. Of significance is that around 50% of the contract documents from national and provincial departments were undertaken using contract documents other than those recommended in the cidb’s Standard for Uniformity.

Adjudication of tenders:
The results of the 2009 survey show that quality (or functionality) is taken into account in the adjudication of tenders in around 55% to 70% of projects in the private sector, public corporations and national departments. Of concern is that quality (or functionality) is only taken into account in the adjudication of tenders in around 25% to 50% of projects in the provincial departments and local government.

The evaluation of quality (or functionality) in the adjudication of tenders in the public sector remains low, and in particular in provincial departments and local government.
Health & Safety:
Construction related injuries and fatalities remain unacceptably high. Records of Health and Safety claims by the Federated Employers’ Mutual Assurance Company Limited (FEMA) for 2006 to 2008 (corresponding to the 2007 to 2009 surveys) show no significant change in the number of fatalities. Motor vehicles accidents continue to remain the single largest contributor to construction related fatalities, accounting for around 50% of fatalities in 2008.