



CONSTRUCTION INDUSTRY INSTITUTE

OWNER/CONTRACTOR
WORK STRUCTURE:
A PREVIEW

Construction Industry Institute

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Owner/Contractor Work Structure: A Preview

**Prepared by
The Construction Industry Institute
Owner/Contractor Work Structure Research Team**

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Contents

Chapter	Page
Executive Summary	v
1. Introduction	1
2. Research Approach	3
3. Survey and Interview Findings	5
4. Owner/Contractor Work Structure: A Work Process	14
5. Conclusions and Recommendations	19
References	21

Executive Summary

The shifting of many engineering resources from owners to contractors for project planning and execution has created a problem in today's construction industry: corporate-level and project-level work structures are increasingly difficult to organize. "Core competencies," or essential areas of expertise, need to be identified and appropriate responsibilities assigned so that corporations have a competitive advantage in the global market.

The solution to the problem of work structures can be found in CII Implementation Resource 111-2, *Owner/Contractor Work Process Handbook*. A summary of the research that led to that publication is presented here. The work process was developed by the CII Owner/Contractor Work Structure Research Team, which was chartered to find a method that companies can use to create work structures that lead to project success. The research team believes that the process, which has been developed for immediate use, will enable organizations to meet both corporate and project objectives through aligned owner/contractor work structures.

The work process provides a systematic approach for determining the competencies of the owner and contractor organizations. Knowing where each core competency is in the working relationship will allow decisions to be made about how to organize strategically. The process is flexible, and thus can be used by different companies and in different situations. It also provides a method for creating both internal and external alignment.

This summary provides an overview of the work structure problem in the industry that led CII to seek solutions. To help one understand the work structure models, key definitions and frameworks for both corporate and project structures are presented here, but the reader is encouraged to use the *Owner/Contractor Work Process Handbook* for implementing the actual process.

1

Introduction

Owners are restructuring their central engineering organizations, shifting project responsibilities to business units or operating facilities, and outsourcing more work to contractors. Organizational change, however, may leave owners inadequately structured to develop and execute capital projects. Many owner personnel continue to perform the same number of project functions despite a reduction in resources. Senior managers and professionals are retiring, their knowledge and experience going with them. Personnel who remain may not have the skills, experience, or decision-making authority necessary to perform project work effectively.

Because of limited resources, owners are reevaluating both the timing and level of their involvement in the project delivery process. In this environment, owners must assess the value that their organizational resources contribute to project development and execution. They also must evaluate those aspects of projects that have financial and legal implications for their company. Front-end project development activities that have the greatest influence on project outcomes are being emphasized.

Contractor companies are also experiencing similar organizational change. Some contractors are reducing personnel even though workloads are increasing. Others are adding project skills that owners are reducing or eliminating. They also are adding skills in project phases that represent non-traditional work. Changes are being made to reduce fixed costs, to increase competitiveness, and to adapt to changes in owner approaches to capital project delivery. Finally, new services are being requested of contractors because of advances in process, design, and construction technologies.

For capital projects, owners want high quality as fast as possible at the lowest possible cost with no harm to workers or the environment. To accomplish this, owners and contractors must form work structures that clearly define major roles and responsibilities of each participant to avoid gaps, eliminate duplication of effort, and share risk appropriately. Owners need to identify, maintain, and have access to minimum core skills. Contractors need to develop new skills that result from performing activities previously under the domain of owner central engineering. As a consequence, both owners and contractors need a work process to help them select the best work structure. Such a work structure must be congruent with project type, cost, and objectives, and must consider differing project delivery systems, contract types, and organizational relationships.