Chapter 9 Summary Review Questions

1. What are the three challenges the owner needs to address in its contracting strategy?

Packaging, or the challenge of deciding which tasks within the WBS should be packaged into a single supply contract; procurement or the challenge of selecting the most appropriate supplier for a package; and oversight, or the challenge of making sure the supplier is doing what they are supposed to be doing.

1. How do the four forces shape the owner’s contracting strategy?

Each of the four forces (nature of transaction; structure of supply; point in the economic cycle; institutional factors) has its own particular effect on the contracting strategy, and the task of crafting that strategy involved taking each into account and making the appropriate compromises.

1. What are the different types of contracts available to the owner?

These are reimbursable, where the owner covers all the suppliers reasonable costs at an agreed rate; incentive, where bonuses are available to the supplier for superior performance; and fixed price, where the supplier contracts to deliver the package for an agreed price which is usually set through competitive tendering.

1. Why is the supplier’s project lifecycle different from the owners?

Because the owner is responsible for the whole life cycle through shaping (Appraise and Select stages) through to benefits realization. Suppliers, even if they become involved “early” in Select are principally involved in the Define and Execute stages. They can only provide limited support to the owner for the transformation from outputs to outcomes.

1. What is probity and why is it important?

Probity is behaving with integrity in relationships across the commercial interface. Unless it is maintained, the relationship will become collusive rather than collaborative and hence inefficient from the point of view of the owner. Where the owner is a public entity, such collusion can have much wider ramifications as in Italy and Japan in recent decades.