

ABSTACT

The importance of accurate estimates during the early stages of cost planning of capital projects has been widely recognized for many years. Even so, very few quantitative methods are available that enable estimators and business managers to objectively evaluate the accuracy of early estimates and planning. The primary purpose of this study was to identify and examine the factors affecting accuracy of cost planning of building projects as it relate to the Nigerian construction industry. To accomplish this aim, quantitative data were collected from consultant Quantity Surveyors. Each of the respondents was asked to assign a one-to-ten rating for each of 10 potential drivers of estimate accuracy for a given estimate. The data were analyzed using simple statistical tools which include; mean, standard deviations and percentages were used to represent the information. The study analysis identified 5 of the 10 factors that were most significant at the level. In this finding the five factors, in order of significance were, Amount of information available, Time allowed to prepare the estimate, Experience of the consultant team, Complexity of the project, and bidding and Suitability/stability of the market.

Cost estimating and planning is a fundamental part of the construction industry. The success or failure of a project is dependent on the accuracy of several estimates through-out the course of the project. Construction estimating is the compilation and analysis of many items that influence and contribute to the cost of a project. Estimating which is done before the physical performance of the work requires a detailed study and careful analysis of the bidding documents, in order to achieve the most accurate estimate possible of the probable cost consistent with the bidding time available and the accuracy and completeness of the information submitted. Overestimated or underestimated cost has the potential to cause loss to local contracting companies.

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CHAPTER ONE
INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Costing in building construction is the application of price to schedules of item of labour and materials in order to obtain an approximation of cost of construction project(Ibrahim, 2004).

Cost planning of construction project is concerned with keeping the cost within a predetermined cost estimate during the pre-contract and post-contract stages of the construction works. The process of pre-contract cost planning involves the preparation of an approximate estimate amongst others. The object of the approximate is to provide an estimate of a probable cost of a project before detail design or post-contract service (Hoer,1997).

Today's client needs are becoming more sophisticated and complicated leading to difficulties in estimating the probable cost of construction works. The clients themselves are becoming more sophisticated in the level of in-house technical expertise and techniques available to them and they in turn expect a high level of efficiency, accuracy and expertise from their professionals. The introduction of new construction methods, materials and systems create greater difficulties in assessing and planning for the capital and maintenance

cost of construction.

Adams (1999) reported that cost planning has become more sophisticated over the last decade and is increasingly becoming a service that the employer is expecting from the Quantity Surveyor to ensure that he receives better value for money and the project cost is kept within the budget.

Cost planning of construction projects is aimed at ensuring that the resources are used to the best advantage amidst alternating high cost of construction resources and acute shortage of funds as clients increasingly insist on project designs to be executed in a way to give them better value for money when completed.

However, there are several factors that may affect the efficiency of cost planning at different stages of the project; from the pre-contract through the post-contract stage. Although, careful detailed order of work will definitely reduce these effects that lead to the large discrepancies between the tender figures and final cost of the construction.

The accuracy of cost planning is measured by how well the estimated cost can be compared to the actual construction cost (Oberleder and Trost, 2002).

Hore (1997) stated that the level of accuracy of a cost plan depends upon the level of information availability at time of preparation.

Pre-tender cost estimating and planning of building projects requires extensive knowledge and expertise. Due to inadequate design information in the early design stages, it is extremely difficult for Quantity Surveyors to arrive at accurate cost estimates and cost planning becomes inefficient (Koleola and Henry 2008).

According to Koleola and Henry (2008), there are seven most important factors, based on the construction industry experience of the Quantity Surveyors which affect the accuracy of pre-tender cost planning.

The seven most important factors as highlighted by Koleola and Henry are; expertise of consultants, Quality of information and flow requirements, project team's experience of the type of construction, tender period and market condition, extend of completion of pre-tender designs, complexity of design and construction, availability and supply of labour and materials.

Taking these factors into consideration at project inception stage could improve the accuracy of the preliminary cost advice consultant quantity Surveyors give their clients.

1.2 STATEMENT OF THE RESEARCH PROBLEM

It has been discovered that in practice, contractors devise their own methods of cost planning and bidding

and the accuracy of their methods is doubtful (Akintoye, and Fitzgerald 1999 citing Law, 1994). The importance of accurate estimates during the early stages of capital projects has been widely recognized for many years. Early project estimates represent a key ingredient in business unit decisions and often become the basis for a project's ultimate funding. However, a stark contrast arises when comparing the importance of early estimates with the amount of information typically available during the preparation of an early estimate. Such limited scope definition often leads to questionable estimate accuracy. Even so, very few quantitative methods are available that enable estimators and business managers to objectively evaluate the accuracy of early estimates. The problem here is how to establish such a model to assess the factors affecting the accuracy of cost planning. To accomplish this, quantitative data were collected from consultant Quantity Surveyors from the construction industry.

AN APPRAISAL OF FACTORS AFFECTING THE ACCURACY OF COST PLANNING FOR BUILDING PROJECTS IN NIGERIA

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