

# ***DRAFT WHITE PAPER on 'CONSTRUCTION CLIENT'S CHARTER'***

- *Ci3 (Construction Industry Institute India) Action Team 6 - January 2017*

[Note: **Ci3** (Construction Industry Institute India) replaces Ci3 *India* (Construction Industry Initiative *India*)]

## **1 INTRODUCTION**

### **1.1 BACKGROUND & NEED FOR 'ACTION'**

Construction clients are the industry 'paymasters' and worldwide experience has shown that a few large and progressive clients can and should take the lead and 'call the shots' for any meaningful industry improvements to be accepted. Industry culture in terms of, for example, safety or quality (or pressures to select the lowest bidder at 'all costs'), is slow to change and can not be regulated. Therefore, the imperative for mobilising a core group of like-minded construction clients to initiate and drive desirable changes was soon obvious. Bringing such groups together at the first Regional Ci3 India Roundtables in Chennai in Oct. 2015 and next at the Developers' Roundtable in Mumbai in Feb. 2016, led to a clearly identified need for a 'Construction Clients' Charter'. Specifically, a focus group at the first Roundtable proposed a 'Charter of Standards and Productivity Benchmarks & Norms', while more focused deliberations at the second Roundtable, expanded this brief appropriately, after recognising the need to cover all the envisaged industry improvements under one over-arching set of client commitments.

Therefore, the Action Item initially assigned to Action Team 6 that was set up in March 2016, was articulated as setting the scene and drafting a charter for a group of leading-edge clients to: "Voluntarily subscribe to a 'Construction Clients' Charter' based on which relevant targets would be embedded as necessary conditions in bidding/tendering/vendor selection processes and protocols e.g. in prequalification/tenderer requirements and selection criteria/ ratings." Again this brief was expanded upon, to cover the continuous development of the construction clients themselves, apart from their supply chains as focused on above, as well as end-user satisfaction which makes business sense apart from respecting societal obligations, and also the implementation, delivery and operational phases of the constructed products e.g. buildings.

### **1.2 DEVELOPMENT OF ACTION OBJECTIVES**

The basis of the Aim and Objectives below, arose from translating the above needs through the following core questions about the proposed 'Action' to develop a Charter:

**Why (this action)?** – To compile a 'Charter' (manifesto or code of practice) that leading-edge Construction Clients in India would voluntarily agree upon, setting the scene for the significant industry improvements through Ci3.

**How (will the targets be achieved through this action)?** - Relevant good practices and progressive targets based on principles that would be broadly enshrined in the above Charter, would be embedded in Clients' strategic and operational processes. For example, these would feed into proactive conditions/ requirements in tendering or vendor selection processes and protocols including in prequalification and selection criteria. Performance measurement and rewards of organisations and personnel would also be based on such criteria and targets, so that the industry can be consistently and steadily pushed along desired improvement trajectories with 'carrot and stick' approaches.

**What (is the proposed Charter)?** - It could be a short document setting out basic principles & targeted good practices by lead clients. It is expected to be progressively accepted by other construction clients as well, and they may also seek added benefits in publicising that they are joint signatories to this charter.

### **1.3 AIM, OBJECTIVES & SCOPE**

**AIM:** An India-specific Charter to suit **our** Industry context, aspirations, priorities and continuous development.

#### **OBJECTIVES:**

- A. To develop a joint manifesto declaring the common values, relevant aims, policies and broad strategies of forward-looking Construction Clients in India, in order to provide a platform for launching and driving significant and continuous industry improvements that would benefit all construction industry stakeholders including the end-users of the constructed products.
- B. To disseminate the Charter and its underlying Aim and above Objective appropriately, so that Signatories to the charter would be recognised by end-users and supply chains as socially and environmentally responsible and caring construction clients whose processes and products can be expected to be of a correspondingly higher standard and of greater value than others.

#### **SCOPE:**

The initial focus is on Building Clients since that was the initial target group, a conscious decision having made at the outset to start with clients and include consultants, contractors and the rest of the supply chain in stages in a structured build-up of stakeholders. However, unlike in some other action groups, the broad principles and practices that would be highlighted in a charter, are unlikely to differ much according to the type of construction.

Furthermore, the first step was already taken, in terms of involving other stakeholder inputs into what a Clients' Charter should cover, by obtaining feedback at a brainstorming sessions at the Consultants' and Consolidation Roundtables on 18 and 19 Oct. 2016 respectively, where Design Consultants and Project Management Consultants were also present.

## **2. METHODOLOGY**

### **2.1 STRATEGY & COVERAGE**

The methodological strategy was necessarily based on the envisaged breadth and depth of coverage. Breadth was considered important since omitting some critical priorities may suggest they are less important. However, a balance had to be struck between 'too detailed' declarations/ statements that may deter some clients from agreeing to sign on their commitment, and 'too vague' declarations/ statements that may be meaningless in terms of triggering improved practices. While the commitments are statements of good intentions that are expected to be implemented through respect for top management commitments and peer pressure, they are not contractually binding.

However, these declarations of good intentions on specifics are expected to rise beyond the 'lowest common denominator' of agreement on basic codes of conduct and practice, to directly reflect higher levels of industry responsibility and aspirations. Apart from altruistic corporate social responsibility type principles, it is expected that a sound business case can be made for long-term business continuity and a potential to charge higher prices for the better and more sustainable services that may be envisaged to flow from practising the principles enshrined in such a charter.

The following priorities were developed in a series of ConferenceCalls following the initial meeting on 17 March 2016 and email exchanges within Action Team 6 (and later, specifically, 6A that focused on the Charter itself). They were presented in the Action Team 6 Working paper at the above-mentioned Consultants' and Consolidation Roundtables on 18 and 19 Oct. 2016 respectively. The brainstorming sessions at these Roundtables were informed by (A) these priorities (as listed below), as well as (B) by

suggested (sample) core principles and protocols (that are not listed below since these have been superseded by those in the finalised Charter in APPENDIX 6.1).

## **PRIORITIES:**

### ***(1) Overall***

Stakeholder (including End-User) satisfaction

Supply Chain selection & management to ensure Value for Money

Time and Cost Performance

Design Process & Outputs optimisation

Technology adoption to improve reliability, productivity etc.

Human Capital & Skills Development (for Labour, Technical & Managerial personnel)

Productivity

Health & Safety

Environmental performance optimisation & adverse impacts minimisation (in energy, carbon footprint etc.)

Sustainable Client Profitability (short-term, medium-term & long-term), Reputation, Continuity ....

Performance-oriented (*to improve above*) Governance, Procurement & Operational systems

*KPIs (Key Performance Indicators) for benchmarking and continuously improving above*

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### ***(2) What do we, as Construction Clients, expect from our Supply Chain?***

- Built Asset Delivery within promised time, cost, quality and end-user satisfaction
- Commitment to project goals and meeting client objectives with a ‘beyond-project’ (long-term) view
- Zero harm to the construction workers, supervisors, neighbours and end-users
- Minimal environmental impact during construction
- Optimal sustainability
- Full statutory compliance
- 100% Trained labor (achieved in stages) particularly in skilled jobs and working at heights
- Hygienic, comfortable and healthy labor camps with crèches, medical, and recreational facilities
- Sharing of risk on account of delays not attributable to client, nor respective supply chain member
- Internationally acceptable good practices in procurement, sub-contracting and supply chain management
- Timely, Open, Transparent & Direct communication
- Adoption of latest innovative ‘value for money’ technologies
- Continual improvement of services with quick response times and high quality
- .....

***NOTE – above could eventually LINK and feed into a proposed CONTRACTOR RATING SYSTEM (and also subsequently a CONSULTANT RATING SYSTEM and other VENDORS RATING SYSTEM(S))***

### ***(3) What do we, as Construction Clients, promise in return to our Supply Chain***

- Internationally acceptable good practices in procurement, contracting and supply chain management
- Clear, Fair & Performance-oriented supply chain selection criteria (and where needed incentives) that recognize/ reward (a) performance on previous projects with particular attention to how they helped meet client objectives and responded to special needs; and (b) special performance e.g. on safety, sustainability ...
- Timely supply of design information, designs and drawings
- Timely response to Requests for Information
- Timely agreements on details and value of any extra works
- Timely payments
- Reasonable Payments (no unreasonable cuts in bills, ethical practices)
- Payment of interest on account of delays attributable to clients

- Amicable and expeditious Settlement of any disputes
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***(4) What do we, as Construction Clients promise to End-Users of our Built Assets?***

- Delivery of built assets on time and within budget to agreed specification
- Fitness for purpose
- Value for Money over long term/ life cycle
- Reasonable initial and life cycle costs
- Sustainable built asset
- Early involvement of end-user representatives/ focus groups to facilitate above
- Amicable and expeditious Settlement of any disputes

## **2.2 METHODS & THEIR OPERATIONALISATION**

The methods used were primarily based on an initial literature review and the experiential knowledge of a strong focus group (Ci3 India Action Team 6), supplemented by inputs and validation at the broader-based brainstorming sessions at the four Roundtables in Oct. 2015, Feb. 2016 and 18 and 19 Oct. 2016 respectively. The focus group interactions between the Roundtables was essentially through Conference Calls e.g. with the first set of full Action Team 6 Conference Calls being on 29 March 2016, 21 June 2016 and 05 Aug. 2016.

In addition, two sets of specific interactive sessions were also held by: (i) a high-level group led by Mr Sanjay Ubale in Mumbai on 17 March 2016 for which a 'Background Note' was provided by Prof Mohan Kumarawamy; followed by a set of meetings of a sub-group: Team 6B also initiated by Mr Sanjay Ubale in mid-2016 in Mumbai, that focused on a 'Contractor Rating System' to tie into the Charter as below; and (ii) a set of meetings by a second subgroup: Team 6A at IIT Madras in Oct. 2016 to develop the Working paper for the Roundtable and the Charter thereafter, followed by email correspondence to finalise the charter between Prof Mohan Kumarawamy and Dr Ashwin Mahalingam. Validation inputs were also received from other (non Action Team 6) members, e.g. from Mr Kalyan Vidyathan before finalising the Charter.

It was agreed to defer the development of the planned 'Contractor Rating System' since more time and resources were required for development, as well as far more resources for actual implementation. The suggestion was noted that registration and ratings assessments of contractors, even if the actual implementation was out-sourced to a rating agency, could be a potential income-generator for Ci3. This would be reinforced if many or all signatories to the Clients' Charter may eventually choose to declare that they would only employ Contractors who have achieved a certain 'rating'. However, hosting such a ratings unit' would need a strong, permanent and credible Ci3 organisation that could take overall responsibility of rating assessments and feedback. Therefore, the current focus reverted to the original brief, which was to produce the Charter. Team 6A deliberations led to firming up the format, structure and contents of the Charter.

## **3. OUTPUT and COMPARISONS**

### **3.1 OUTCOME**

The principal Ci3 Action Team 6 interim output that was developed in pursuit of the above Aim & Objectives and using the above methodology, is the Construction Clients' Charter in APPENDIX 6.1

The preamble summarises the purpose, expectations and envisaged operationalisation of the Charter. The Charter 'Declarations and Pledges' were structured under six sub-heads after much brainstorming of the optimal content and its effective presentation, as well as many iterations to achieve an appropriate balance, apart from the envisaged coverage of the final outputs. The six sub-heads are: on Procurement, on Design,

on Innovation & Technology, on Project Execution, on Human Resource Development & Worker Welfare, and on Quality, Safety and Sustainability

### ***3.2 COMPARISONS with other COUNTRIES***

A literature search for any similar Construction Clients' Charters in other countries, revealed a "Clients' Commitments – Best practice Guide", published by the Construction Clients Group, UK. Interestingly, it was initially issued in 2001 by the Confederation of Construction Clients in UK as a Construction Clients' Charter, in response to a challenge in 2000, by the then Deputy Prime Minister to set out the minimum standards that clients should adopt in construction procurement.

Note: In 2003, the Confederation of Construction Clients was replaced by the Construction Clients Group and this is part of 'Constructing Excellence' which is a cross-industry body driving improvements in the UK construction industry.

The UK Client Commitments focus on six areas aiming at "a positive difference to enable better value":

- Client leadership
- Procurement and integration
- Health and safety
- Design quality
- Sustainability
- Commitment to people.
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These "Clients' Commitments" were updated and re-launched in 2013 (Construction Clients' Group, 2013).

In addition to the above example from UK, parallels may be drawn with a North American initiative by the Construction Owners Association of Alberta (COAA) that was founded in 1973 (COAA, 2017a). A group of owners representing many sectors of the Alberta industrial construction community have come together for construction industry development as in Ci3 and Constructing Excellence, UK. In Alberta, they have developed an industry support programme comparable to some of the Ci3 *India* proposals. For example, it was reported at the brainstorming session of our 19 Oct. 2016 Consolidation Roundtable, by a former COAA member, that a group of 4 to 5 clients took charge of, and championed, each of the many initiatives.

COAA has produced four 'Charter' packages in specific areas that also provide their members with templates and tools, under the: (1) Construction Performance Committee Charter; (2) Contracting Committee Charter; (3) Safety Committee Charter; and (4) Workforce Development Committee Charter. These 'Charter' packages cover Vision & Objectives; Strategies; Templates and Tools (COAA, 2017b). In that sense they provide the means to operationalise their vision and objectives, while Ci3 also plans to achieve this through the other Action Team outputs.

## **4. CONCLUDING OBSERVATIONS AND WAY FORWARD**

The Construction Clients' Charter is pivotal to the success of Ci3, since it commits signatories to an overarching set of common, albeit broad, principles and practices that should thereby facilitate the implementation of specific recommendations of other Ci3 Action Teams. It is therefore envisaged to arrange a high-profile signing ceremony of the initial 'Charter Members' along with, or soon after the launch of the Ci3 White Paper that will include the other Ci3 Action Team outputs.

Apart from the many high calibre clients already associated with Ci3 *India*, it was proposed at the Consolidation Roundtable on 19 Oct. 2016, to approach bodies such as the Builders Association of India (BAI), Confederation of Indian Industries (CII) and invite their members to sign. In addition, some other infrastructure sector leaders such as GVK, GMR, Birla, Godrej, Smart City Owners, Metro Rail SPVs, could also be invited, along with government bodies such as NHAI, CIDC etc. to join in this common declaration.

In this way, as indicated in the preamble in Appendix 6.1, this Charter can be useful as a high-level industry-wide vehicle to communicate strategic expectations and operational objectives to construction industry supply chains, end-users and the public at large. It can also be used to inspire other major construction industry stakeholders like consultants and contractors to commit to complementary collective declarations in their own versions of this Charter, so that the industry can move forward together and more smoothly with such joint and integrated commitments.

## 5. REFERENCES

- Construction Clients' Group (2013), Clients' Commitments – Best practice Guide, Constructing Excellence [http://ccg.constructingexcellence.org.uk/wp-content/uploads/sites/3/2014/10/Client-Commitments-Final\\_May-2014.pdf](http://ccg.constructingexcellence.org.uk/wp-content/uploads/sites/3/2014/10/Client-Commitments-Final_May-2014.pdf), accessed 25 Jan. 2017.
- COAA (2017a) Construction Owners Association of Alberta (COAA) <http://www.coaa.ab.ca/>; accessed 26 Jan. 2017.
- COAA (2017b) Library (with Charter documents, Templates and Tools, Construction Owners Association of Alberta (COAA) <https://www.coaa.ab.ca/library/type/templates-and-tools/detailed-type/charter/direction/asc/>; accessed 26 Jan. 2017.

## 6. Cİ3 ACTION TEAM 6 MEMBERS:

Note: The Charter in APPENDIX 6.1 was developed in stages by Action Team 6 with Literature Review and Conference Calls, followed by Focus Group Meetings within **Sub-Team 6A**. Specifically, two Sub-Teams were formed in the 2<sup>nd</sup> stage and Action Sub-Team 6A focused on developing the CHARTER, while Action **Sub-Team 6B** (also including some from 6A), focused more on formulating the basis for a 'CONTRACTOR RATING SYSTEM' - so that signatories to the Clients' Charter could eventually choose to add a further declaration that they would only employ Contractors who have achieved a certain 'rating'.

### Action Team 6A focusing on Charter:

Dr. Ashwin Mahalingam (IITM) – *Joint Lead 'Drafter' of Charter*  
Prof. Mohan Kumaraswamy (IITM) - *Joint Lead 'Drafter' of Charter*  
Mr. Kekoo Colah (SP Real Estate)  
Mr. Venugopal (SP Real Estate)  
Mr. Srimanikandan Ramamoorthy (CTS)  
Mr. Ganesh (CTS)  
Mr. Santhosh Loganathan (IITM)  
Prof. Mohan Kumaraswamy (IITM)

### Action Team 6B focusing on Contractor Rating System:

Dr. Gangadar Mahesh (NIT Surathkal)  
Dr. Venkata Santhosh - Sub-Team Mentor (IITB)  
Mr. Prakash Patil (TRIL)  
Mr. Kishore Bhateja (Raheja Group)  
Mr. Shabbir Kanchwala (Raheja Group)  
Mr. Hrishikesh Joshi (TRIL)  
Mr. Santhosh Jayarajan (TRIL)

Note – some members from 6B have contributed to 6A and vice versa

Mr. Sanjay Ubale - *Action Team 6 Leader*  
Prof. Mohan Kumaraswamy (IITM) - *Co-ordinator of Charter & White Paper*