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Managing Change Decisions in a Construction Project

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ABSTRACT

This paper explores how control works when there were change decisions during project execution phase, within a construction project organization, which generally involved independent firms of contributors (e.g. architect, engineers, quantity surveyor, main contractor, sub-contractors and suppliers). A case study method is adopted to investigate the case, using a triangulation data collection, including interviews, observations and documents. An initial theoretical framework of transaction cost economics (TCE) theory is extended to make sense of the case study. The framework extends TCE propositions by suggesting that informal or social control mechanisms would encourage cooperative behaviour of transacting parties and may also influence a relationship's control structure, especially when there were change decisions during the implementation phase. The findings showed that in addition to formal processes (contract) in managing contractual requirements to gain efficiency, informal processes (i.e. coordinating interdependent tasks) influenced the choice of management control structures (MCS). The observations suggest that by selecting familiar or known contributors and with reputation to some extent mitigate control problems and thereby reduce the need for costly formal controls. The study leads to an understanding that market-based and bureaucracy-based controls (as suggested by TCE) are blended with social-based controls when inter-firm relationships are complex due to task interdependencies and incomplete contracts. This paper answers the call for more empirical research of project-based organizations by analyzing transaction relationships within the project organizational structure. It proved essential to understand how informal control works within inter-firm transaction relationships with the change decisions involving two main contractors working on site during the transition phase.

Keywords - inter-firm relationships, management control structures, formal controls, informal or social controls, transaction cost economics.