

Appraisal of Transaction Cost in South African Construction Projects

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Abstract : Construction project cost are not only made up of production costs. This cost comprises of many other elements such as the preparation of a bidding document, cost estimations, drafting contractual agreements and monitoring that contractual obligations are met. Several studies have stressed the need for transaction costs (TC) to be defined in a way that covers all phases of a project and not only the pre-contract phase. Hence, this study aims to appraise transaction cost in South African (SA) construction projects by assessing what constitutes transaction cost, influencing factors and possible optimisation measures. A survey design was adopted. A total number of eighty (80) questionnaires were administered to quantity surveyors, procurement managers and project managers in Guateng Province, SA and seventy-two (72) were returned and found suitable for analysis. Collected data was analysed using percentage, mean item score, standard deviation, one-sample t-test. The findings show that external technical interaction, uncertainty, human factors are the most significant constituents of TC in SA, while technical competency, experience in similar project type and project characteristics are the leading influencing factors. Furthermore, understanding project characteristics, clear communication and technically competent project teams are most of the significant measures for optimising TC in SA construction projects. Therefore, this study recommends that a competent project team and a clear communication are fundamental to proper management of TC in SA construction projects.

Keywords : construction projects, project cost, South Africa, transaction cost

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