

The Sectoral Differences in the Use of Construction Incentive

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Abstract : Incentive contracting has been developed to push the agent team for extra effort. Generally, there are three types of incentive arrangement, namely incentive/penalty for super performance/underperformance, risk/reward sharing and future business opportunities. It is found that there are significant differences in the use of incentive arrangement in private and public projects. In Hong Kong, very few public projects have used future business as incentivizer whereas private developers often signal repeated business coupled with heavy penalty. This study was conducted to identify various attributes affecting the use of I/D in both private and public engineering sectors of Hong Kong. The diverging preferences were unveiled with reference to a literature review and semi-structured interviews with industry experts. The findings reveal the public/private sectors would consider the implementation issues regarding the various performance targets. The most deterministic factor for the public sector is about accountability. The private sector is in general skeptical about the need to provide extra for the contractors for what they have already contracted to perform.

Keywords : construction incentive, public/private projects, semi-structured interview, hong kong

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