

Contracting Methods in Project Management: A Comparative Evaluation for a Commercial Office Development

Module Code: LCBB6023

Module: Project Management

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1. Introduction and Background

Project management enables organisations to convert strategic intentions into defined outputs and benefits. The Association for Project Management defines it as the application of processes, methods, skills, knowledge and experience to achieve project objectives within agreed acceptance criteria and parameters (APM, 2026a). Because projects are temporary and constrained by time, cost, scope, quality and resources, the project owner must decide not only what will be delivered but also which organisations will perform and coordinate the work (PMI, 2021; Kerzner, 2022).

Contracts are central to this decision. A contract creates legally binding obligations between parties and specifies remedies when those obligations are not met (APM, 2026b).

Organisations contract out because they may lack specialist skills, labour, equipment or market capacity; suppliers can also bring innovation and experience gained across projects. However, outsourcing can reduce control, create dependency and introduce interface and dispute risks. The chosen contracting method therefore determines how responsibility, coordination and risk are distributed.

This essay evaluates four methods required by the module: Turnkey, Multicontract, Do-It-Yourself (DIY), and Multicontract + DIY. These are organisational delivery arrangements, not pricing methods such as lump sum, cost reimbursable or target cost. A contracting method determines who undertakes and integrates the work; a pricing method determines how payment is calculated. The analysis uses a company developing a new commercial office building to compare the relative advantages, disadvantages and suitability of each approach. It argues that no method is universally superior: selection must reflect requirement certainty, project complexity, client capability, risk tolerance and desired control (Tookey et al., 2001; Lai et al., 2022).

2. The Role and Selection of Contracting Methods

Procurement is the process by which products and services are acquired from an external provider for incorporation into a project (APM, 2026c). Contracting provides the enforceable framework for that exchange. It defines scope, responsibilities, standards, reporting, change control, payment, risk allocation and dispute mechanisms. A sound contract can provide certainty and accountability, but it cannot compensate for an unsuitable delivery structure or weak relationship management.

The decision to make work internally or buy it externally should consider more than apparent price. Specialist capability, workload, intellectual property, safety, regulatory competence, whole-life value and the owner's capacity to manage suppliers are relevant. Procurement design must also balance incentives against the transaction costs created by change and monitoring (Bajari and Tadelis, 2001). Research on construction procurement selection shows that inappropriate methods are associated with delays, cost overruns, claims and client dissatisfaction (Lai et al., 2022). The four methods examined below can be viewed along a spectrum: Turnkey concentrates responsibility externally; DIY retains it internally; Multicontract fragments external responsibility among specialists; and Multicontract + DIY distributes work between internal and several external teams.

3. Turnkey Contracting

Under Turnkey contracting, one principal contractor accepts responsibility for delivering a complete, operational facility. In construction and engineering this is commonly associated with Engineering, Procurement and Construction (EPC), although contractual forms vary (FIDIC, 2017). The client specifies functional and performance requirements, while the contractor integrates design, procurement, construction, testing and commissioning. For the office project, the company could define capacity, energy performance, accessibility, quality and completion requirements and receive a building ready for occupation.

The primary advantage is single-point responsibility. The client does not separately coordinate designers, builders and specialist installers, and disputes over design-construction interfaces are reduced because integration sits with the principal contractor. The World Bank identifies cost and time certainty, reduced supervision, private-sector innovation, shorter lead time and a single point of responsibility as potential EPC/Turnkey benefits (World Bank, 2021). This arrangement can therefore suit clients with limited construction capability and projects requiring strong technical integration, such as data centres, energy facilities, warehouses and relatively standardised commercial buildings.

A second advantage is schedule integration. Design, procurement and construction can overlap, and the contractor can sequence subcontractors and long-lead items within one programme. The client's administrative burden is lower, allowing management to focus on business readiness and acceptance criteria rather than daily site coordination. Risk can also be transferred to the contractor when it is able to control that risk.

These benefits have costs. The client has less direct influence over design development and subcontractor selection. Variations after award can be expensive because the contractor priced and planned an integrated solution. Contractors also include contingencies for risks transferred to them; Turnkey therefore does not guarantee the lowest price. Excessive transfer may be ineffective if the contractor cannot control the risk or later seeks recovery through claims.⁹

Turnkey also depends on clear employer requirements and rigorous contractor selection. If the company describes the office only broadly, the contractor may deliver a technically compliant building that does not meet user expectations or whole-life operational needs. Dependency is concentrated: poor performance or insolvency by the principal contractor can affect the entire project. Turnkey is most appropriate where outcomes can be specified early, interfaces are complex, changes are expected to be limited and the client values integration more than detailed design control.

4. Multicontracting

Under Multicontracting, the client enters separate contracts with several specialist organisations rather than transferring most responsibility to one contractor. For the office development, packages might cover architecture, structural design, groundworks, frame, facade, mechanical and electrical services, IT infrastructure, fit-out and landscaping. The client, usually supported by a project manager or construction manager, integrates these packages.

The approach offers direct access to specialist expertise and greater influence over supplier selection, technical standards and sequencing. Each package can be competed separately, potentially improving price transparency and enabling the client to select best-in-class firms. Design can remain flexible for longer because later packages need not be finalised when early works begin. This can support technically diverse or fast-tracked projects where work packages become ready at different times.

The central disadvantage is coordination risk. Delayed structural work may prevent services installation; incompatible design information may cause rework; and several contractors may dispute responsibility for an interface defect. Unlike Turnkey, there is no single party accountable for the complete facility. The client must maintain an integrated programme, information-management system, design responsibility matrix and clear interface

specifications. APM (2026b) emphasises planned reviews, formal reporting, escalation routes and shared risk responses as essential contract-management controls.

Administration is also demanding. Multiple tender exercises, contracts, payment assessments, insurance arrangements and performance reviews increase transaction costs. The client retains more schedule and integration risk and must have sufficient authority and expertise to resolve conflicts quickly. Multicontracting is therefore suitable where the owner has a mature project-management function, requires high control or specialist choice, and can manage dependencies. It is unsuitable when the client lacks integration capability or requires one organisation to guarantee the overall outcome.

5. Do-It-Yourself (DIY)

DIY places most delivery responsibility within the owner's organisation. Internal employees use organisational resources to plan and perform work that would otherwise be contracted externally. In a construction context, complete DIY is feasible mainly for owners with established engineering, construction or facilities capabilities. For a company whose core business is unrelated to construction, building an entire office internally would be unrealistic and potentially unsafe; however, the method remains relevant for smaller refurbishments, relocations, routine installations or repeated projects supported by experienced internal teams.

Its strongest advantage is control. Management can directly set priorities, allocate resources, inspect quality and respond to change without negotiating every instruction with an external supplier. Communication may be quicker within one governance system, and knowledge generated by the project remains inside the organisation. This learning can create long-term value where similar projects will recur or where the capability is strategically important.

DIY may avoid an external contractor's profit margin and protect confidential or business-critical knowledge. Yet these apparent savings must include the full cost of internal labour, equipment, supervision, training and opportunity cost. Employees diverted to the project are unavailable for their normal duties. Temporary peaks in workload may also make internal resourcing inefficient compared with purchasing market capacity.

The major disadvantage is capability risk. An organisation may underestimate the specialist, regulatory and safety competence required. Lower productivity, defects, accidents or delays can outweigh any saving, while the owner retains nearly all delivery risk. DIY can also encourage optimistic reporting because the client and delivery organisation are the same

entity. It is most suitable when scope is modest, internal competence is proven, resources are genuinely available and knowledge retention is valuable. It is least suitable for a complex new office requiring licensed designers, specialist systems and extensive construction supply chains.

6. Multicontract + DIY

Multicontract + DIY is a hybrid in which the owner performs selected activities internally and awards several external specialist contracts for the remainder. For the office project, the company could retain governance, requirements definition, stakeholder engagement, digital strategy, operational readiness and relocation planning. Architects, engineers, builders, services contractors and fit-out specialists would deliver regulated or capacity-intensive technical packages.

The main advantage is selective control. Activities closely connected to business strategy and users remain with the organisation, while external suppliers provide expertise and temporary capacity. Internal participation improves knowledge transfer and helps ensure that the finished building supports operational needs. Risk can be allocated more rationally: specialists take responsibility for work they control, while the owner retains decisions that should not be delegated.

The hybrid may also provide better value than either extreme. The organisation avoids buying services it can perform competently but does not invest in capabilities required only once. It can adapt individual packages as requirements develop. Research on subcontracting in project-based firms indicates that insourcing and outsourcing choices vary with project complexity, concurrent workload and market conditions, supporting a project-specific rather than habitual decision (Berends et al., 2014).

However, hybrid delivery creates the most complex boundary management. The client is simultaneously owner, direct performer and manager of multiple contracts. If the internal IT team changes data requirements after the electrical package is designed, responsibility for redesign, cost and delay must be clear. Internal work can become the critical dependency for external contractors, exposing the client to compensation claims.

Success therefore requires an explicit work-breakdown structure, responsibility assignment matrix, interface register, integrated schedule and disciplined change control. Internal teams must be held to comparable milestones and quality standards as contractors. Multicontract + DIY is appropriate where the client has strong capabilities in selected areas and mature

governance, but needs external technical delivery. For the commercial office, it can offer the best strategic fit if the company retains user and operational decisions while experienced professionals perform construction.

7. Comparative Evaluation and Recommended Approach

The four methods involve a trade-off among integration, control, capability and coordination. Turnkey simplifies accountability and transfers integration but restricts flexibility and increases reliance on one supplier. Multicontract maximises specialist choice and direct control but makes the client responsible for interfaces. DIY retains authority and learning but also retains resource and performance risk. Multicontract + DIY can align each activity with the most capable party, yet it requires the strongest governance because internal and external boundaries multiply. This contingency-based choice is consistent with project-based management: the delivery structure must support the project's strategic purpose and governance context (Turner, 2014).

For the proposed office building, Multicontract + DIY is recommended if the client has a competent project-management function. Business requirements, stakeholder decisions, workplace technology and transition planning should remain internal because they determine whether the asset produces benefits. Design and construction should be contracted to qualified specialists. A package strategy should identify every interface and appoint one integration lead with authority over the master programme and change process.

If the client lacks this capability, Turnkey is safer than an inadequately managed hybrid. The higher degree of external integration may justify reduced flexibility. Conversely, a highly experienced property developer may prefer Multicontracting to retain design and supplier control. DIY should be limited to work for which internal competence and capacity are demonstrable. The final choice should therefore follow a documented assessment of requirement certainty, risk ownership, market capacity, client competence, schedule, whole-life value and desired influence rather than headline tender price.

8. Conclusion

Contracting is fundamental to project management because it determines who performs the work and how obligations, coordination and risk are distributed. This essay distinguished contracting methods from pricing methods and evaluated Turnkey, Multicontract, DIY and Multicontract + DIY in a commercial office project.

Turnkey offers integrated delivery, clearer accountability and a lower administrative burden, but reduces client control and depends on well-defined requirements and a capable principal contractor. Multicontracting provides specialist choice, transparency and flexibility while placing substantial interface and administration risk on the client. DIY maximises internal control and learning but is constrained by competence, capacity and opportunity cost.

Multicontract + DIY preserves strategically important internal involvement and buys specialist capability, although its organisational boundaries demand disciplined governance.

No method is inherently best. The recommended hybrid approach is appropriate only because the hypothetical client is assumed to have competent project governance and should retain control of business requirements while outsourcing regulated construction work. If that assumption changes, the preferred method also changes. Effective selection therefore aligns the delivery structure with the project's uncertainty, complexity and risk and with the owner's genuine capability to manage the responsibilities it retains.

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