

Strategic Importance of Contracting in Project Performance Essay

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Table of Contents

Introduction	3
Do-It-Yourself (DIY) Contracting.....	4
Turnkey Contracting.....	5
Multi-Contracting	6
Multi-Contract + DIY Hybrid Contracting	7
Comparative Discussion: Advantages, Disadvantages and Suitability	9
Conclusion	11
References.....	12

Introduction

Project management is the use of tools, processes, and governance to reach a set of project goals with limits on scope, schedule and budget. Contracting strategy is a key component of this governance that assigns responsibilities, risks and co-ordination among stakeholders. Contracting is therefore not just administrative but strategic, as it impacts the distribution of risk, responsibility and coordination among stakeholders and, as a consequence, project efficiency and results. This governance means that various contracting arrangements have a direct impact on delivery speed, cost certainty and quality through the integration and management of project activities (Mwenya and Kasongo, 2026; Alshboul and Shehadeh, 2026).

There are a number of reasons for projects to implement contracting strategies. First, organisations can outsource via contracts to gain access to specialised skills that they lack. Second, contracting provides transfer of risk, especially in infrastructure projects where the level of uncertainty is significant. Third, contracting enhances scalability by dividing workloads into a number of entities (Kumar Guha, 2020). A contracting method is the result of weighing a number of considerations involving the sharing of risk, cost certainty of the client, interfaces, a project's size, and the capability of the client. A method that successfully meets these criteria in one project scenario may not succeed in another. This essay provides a critical explanation of the four contracting methods in project management, namely DIY contracting, turnkey contracting, multi-contracting and hybrid multi-contracting along with DIY. It is used to analyze their respective pros and cons as well as the suitability of the different types of projects.

Do-It-Yourself (DIY) Contracting

DIY contracting is a procurement method in which the client is responsible for the design, purchase, coordination and delivery, without the use of a main contractor. Rather, the customer itself hires consultants, suppliers and subcontractors, serving as the hub of the project (Ortiz, 2025). In small refurbishment projects in the public sector, like local authorities upgrading office spaces, this can be done, with the local authority's in-house estates department handling the various small work packages rather than one contractor.

One of the biggest benefits of doing it yourself contracting is being able to have the greatest amount of managerial control and strategic flexibility (Ortiz, 2025). It can be advantageous in changing environments, where the client can make scope, sequencing or design decisions without having to deal with a lead contractor. In smaller hospital facility renovations, for instance, estates teams might work directly with electricians and HVAC vendors to meet rapid changes in the operation of the hospital (Pascale and Jones, 2025; Ortiz, 2025). However, there are some drawbacks to this flexibility, including the inability to coordinate with multiple suppliers and interface misalignment, which can lead to delays when one package (such as material delivery) is not on schedule, therefore impacting dependent work (ELECTRI International, 2025).

In particular, DIY contracting is very vulnerable to capacity constraints and contract fragility (Pascale and Jones, 2025). Many DIY contracts are drafted poorly, lack clauses, and are not properly reviewed by a lawyer, which can cause conflicts and unenforceable obligations (Ortiz, 2025). This is seen in smaller residential self-build projects where owners of their own homes are not aware of the formal procedures for procurement and can be subject to disagreement in terms of scope and payment. However, as noted by Sakharova (2024), the nature of contract formation relies on coherent normative powers, and the DIY clients may not be legally informed to negotiate a legally binding multi-party contract.

Sommers (2021) elucidates how contract schemas instill overconfidence in written contracts. This means that in DIY contracting, it is assumed that several simple contracts will self-coordinate well, but in reality, this often manifests as a lack of coordination and accountability between the contractors, as experienced in retail refurbishment projects.

DIY contracting is the opposite of turnkey and multi-contracting, providing greater autonomy but drastically lower integration efficiencies (Mimoso, 2020; Kumar Guha, 2020). Turnkey systems centralise responsibility and minimise the risk of interface issues, while multi-contracting increases the competition for costs but requires robust coordination structures (LexisNexis, 2023; ELECTRI International, 2025). Thus, DIY contracting is generally not appropriate in the context of large-scale infrastructure projects, as there is less risk transfer and a high risk of managerial, legal and technical qualification requirement by the client. In complicated projects, the costs associated with situations where components fall short of their contracted performance and thereby generate coordination failures outweigh the advantages of autonomy, while maximizing control.

Turnkey Contracting

A procurement approach in which a contractor is responsible for the design, construction, procurement of equipment, commissioning and delivery of a complete and fully functioning facility. When the client has achieved completion, they just “turn the key” (Mimoso, 2020). Typically, this model is applied to complex infrastructure initiatives where several technical systems need to be coordinated and failures at the interfaces can have a major impact on performance (Mimoso, 2020).

In a power plant project, for instance, the turnkey contractor is responsible for both the civil works and the installation of the turbines, as well as the electrical system and final commissioning, all within a single contract (Kumar Guha, 2020). This integration is critical, as any mechanical/electrical work mismatch or delays may render the plant non-functional, and hence fragmented contracting is inefficient and risky.

One of the biggest benefits is the accountability and decreased dispute because of its single-point responsibility (Kumar Guha, 2020). According to Bundy (2020), the responsibility of the turnkey contractor is total; that is, the contractor is responsible for the outcome of the project, and the work does not have any obvious "defects" or "delays" that can be transferred to another party (Kumar Guha, 2020). This is especially important in highway construction projects where drainage, road surfacing and structural work all need to fit together perfectly to prevent rework and claims.

Turnkey contracting also enhances the time and cost efficiency by means of integrated planning (Bundy, 2020). Being combined, design and construction minimise delay in the phases of the project (Donati, Copiello and Bonifaci, 2024), and penalty clauses and warranties improve long-term performance (Alshboul and Shehadeh, 2026). It also diminishes client control of design choices, leaving less flexibility after the contract has been signed (Kumar Guha, 2020). Contractors can also add risk premiums that add to the overall cost because of full exposure to liability. Turnkey contracting is in general better for big projects than multi-contracting because it has the advantage of transferring more risk and giving a maximum point of accountability which enhances reducing the interface and helps with cost certainty. These benefits, however, are only worth the tradeoffs when the project scale and technical complexity are correctly matched with the client's need for flexibility and control.

Multi-Contracting

Under multi-contracting, the employer directly hires several contractors, with each contractor being responsible for a package of work. The client is the main point of contact for all contractual relationships (LexisNexis, 2023). The cost efficiency and competitive pricing are key benefits of multi-contracting. Based on competitive tendering and lower risk premiums for contractors, multi-contracting can save about 5% from direct project costs, according to ELECTRI International (2025). Further, with multi-contracting, specialisation can occur, with different contractors working on their specialisms. This helps enhance the technical quality and innovation.

However, its biggest downside is the coordination complexity. The responsibility for integration and interface management between the different contractors is taken by the client. This creates an administrative burden, and delays and disputes are possible. In multi-contractor scenarios, Cable Pilot (2026) emphasises the need for robust role-based control systems, as operational inefficiencies and data duplication can be major issues. In the absence of such systems, poor communication can have a significant effect on performance. In addition, ELECTRI International (2025) says that while there may be cost savings, the costs of coordination are not always obvious and can outweigh the financial savings. While multi-contracting adds complexity to the interface, it can produce better

performance than turnkey contracting in projects with clearly identifiable work packages, where there is room for sizeable cost savings through competitive tendering processes. Therefore, the influence of effectiveness is less of the contract structure, and more the client's capacity to deal with various interfaces with contractors.

Multi-Contract + DIY Hybrid Contracting

Hybrid contracting is a blend of do-it-yourself (DIY) and multi-contract procurement, in which the client is responsible for the selected work packages and passes others of a more special and technical nature to a number of independent contractors. This results in a governance system with a combination of internal control and external execution.

One of the benefits of this is selective outsourcing and strategic flexibility. Organisations can outsource technical or labour-intensive work to specialised contractors while keeping high-value or sensitive pieces of work or information with them (e.g., design specifications or core infrastructure decisions). This will optimise resources and align capabilities (Donati, Copiello and Bonifaci, 2024; ELECTRI International, 2025). It lowers the internal workload when compared to DIY contracting and maintains client influence on the important decisions in design when compared with turnkey systems (Mimoso, 2020).

One practical example is a hospital redevelopment project, where the client's internal estates team is responsible for planning clinical space and compliance requirements, with external contractors responsible for the mechanical, electrical, plumbing (MEP), structural works and information and communications technology (ICT) installations. This division enables the client to handle patient-flow design and outsource the very technical construction work.

A Work Breakdown Structure (WBS) is required to structure this effectively. The WBS would normally be arranged as shown in Figure 1 below: The model also brings with it coordination challenges and interface risks, as a number of different entities are involved, and there is a risk that things could get delayed or conflicted (Bundy, 2020). The fragmentation of contractual authority further exacerbates the lack of normative clarity, which can lead to ambiguities in responsibility lines, as stated by Sakharova (2024). Also mentioned by Ortiz (2025), governance gaps are accentuated when there are no internal

teams well-versed in procurement practices. This blended approach works best when organisations have the expertise needed to oversee strategic aspects of a project but not the technical skills necessary to deliver the entire thing. However, the increased flexibility from selective outsourcing should be balanced by increased interface complexity and governance burden resulting from multiple accountability systems.

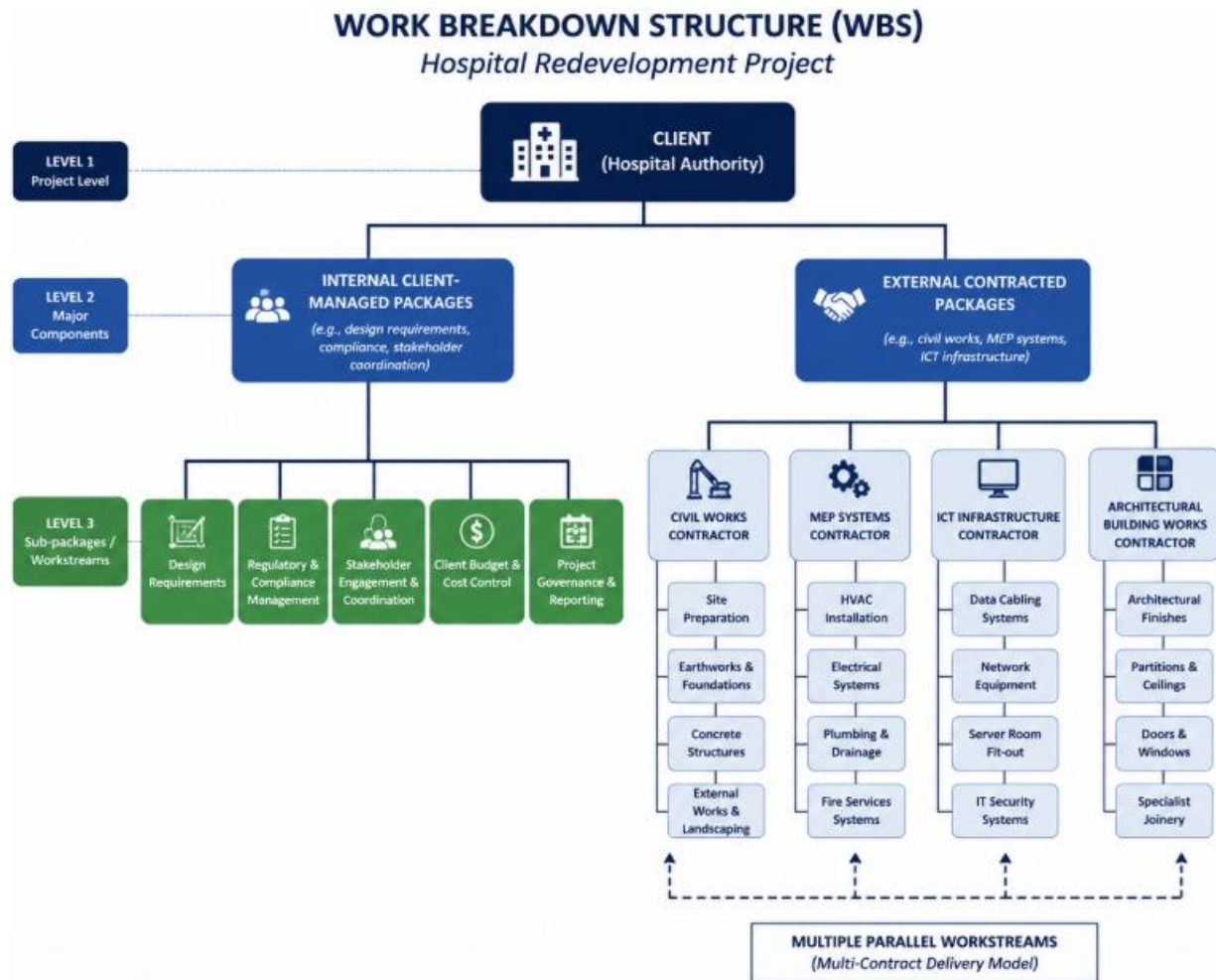


Figure 1 WBS (self-made)

Comparative Discussion: Advantages, Disadvantages and Suitability

Through the comparison of the four contracting methods, it can be seen that none is always the best procurement method (Alshboul and Shehadeh, 2026). Instead, risk, control and accountability is divided among the models differently, and hence, the effectiveness is project-relative as well as context-dependent, varying with the magnitude and complexities of the projects, and the level of cost certainty that the client is looking for and the capacity of the client to oversee contractual interfaces (Mwenya and Kasongo, 2026).

Table 1 Comparative Summary Table

Contracting Method	Key Strengths	Key Weaknesses	Typical Suitability
Turnkey	High integration, quick delivery, one-stop responsibility.	Loss of client control, increase in the risk premiums of contractors	Major facilities (such as highways, power plants)
Multi-Contracting	Competitiveness on costs, special knowledge	High coordination/interface risk	Industrial Projects: clients who have experience with industrial projects.
DIY	Highest level of control and flexibility.	Low reliability, capacity limits, fragmentation.	Small or internal-scale projects
Hybrid (DIY + Multi)	Flexible resource allocation	Complexity of governance, ambiguities in accountability	Medium-complexity projects

Since the responsibility is unified within a single contractor, responsibility separation issues are minimised, and interface failures are avoided, reducing the coordination delays and improving the integration efficiency overall; a turnkey contracting model will generally be associated with its faster project completion (Mimoso, 2020; Kumar Guha, 2020). But this efficiency comes at a price; the clients lose influence, and the price is increased because of the transfer of risk. One such example is the building of large transport

infrastructure like a metro system, where governments will turn to a single EPC contractor for a turnkey system without having to deal with multiple interfaces.

However, multi-contracting allows for competitive bidding of work packages, which leads to more cost-efficient contracts, but there is a risk of increased coordination and managing interfaces on the client side, leading to an increased burden on the client management (ELECTRI International, 2025; LexisNexis, 2023). Many large energy projects, like wind farms, often employ this model where specialist contractors are responsible for individual technical packages.

Contracting processes are weak in terms of governance, and control is fragmented in DIY contracting. As demonstrated in Ortiz (2025) and Sommers (2021), clients in these situations who are not experts in contractual drafting frequently misjudge the complexity of the contract, resulting in poorly drafted agreements and potential risks of litigation. As an example, a normal instance of this is for smaller office refurbishment tasks, where the owner will oversee the subcontractors.

Hybrid contracting tries to strike a balance between control and outsourcing, but it creates an overlap of accountability and an ambiguity of governance. Blurred lines in the contract jeopardise the "normative clarity of obligations" and elevate the chances of disputes, as noted by Sakharova (2024). Overall, effectiveness cannot be said to be an intrinsic attribute of the contracting method, but it depends on the extent to which governance systems, monitoring mechanisms and organisational capability are conducive to the chosen contracting method (Mwenya and Kasongo, 2026). According to evidence, the contracting strategies should be chosen based on the project characteristics at hand and not based on preference as the most suitable strategy would be one that provides the most optimal risk transfer, cost certainty, client competency and interface complexity.

Conclusion

Project management contracting methods have an important influence on the outcome of the projects, as they affect the distribution of responsibilities, risks and coordination. With DIY contracting, you can be the one in control, but it is bound by limitations of capability. Turnkey contracting provides efficiency, a single point of liability and a loss of client control. Multi-contracting leads to more competition and specialization and more coordination complexity. There is some flexibility with hybrid contracting but also a governance ambiguity.

Most important is that there is no one best approach. The success of a contracting strategy will vary according to the size of the project, complexity, experience in the organization and risk tolerance. As always, literature demonstrates that project outcomes are influenced by the type of contract as well as by the effectiveness of contract management systems, enforcement mechanisms and coordination of the stakeholders. Therefore, it is imperative for project managers to take a context-sensitive approach towards contracting, where they have to critically evaluate different aspects of efficiency, control and risk to get the best out of their projects.

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