CASE STUDY: THE USE OF CONSTRUCTION - AND CONTRACT MANAGEMENT AS A VEHICLE FOR EMERGING CONTRACTOR DEVELOPMENT. A KWAZULU-NATAL CASE STUDY

Koos Oosthuysen¹ and Ismail Randeree²

¹Pr Eng Bsc Eng B(Hons) Eng Construction Management
P O Box 2801, Durban, 4000. Tel: 031 907 8819, E-mail: koosthuy@ithala.co.za

²Technical Training Manager & Training and Development Consultant
P O Box 32557, Mobeni, 4060. Tel: 031 462 6012, E-mail: ismail@khuphuka.org.za

1. INTRODUCTION
Ithala Development Finance Corporation Limited (hereafter referred to as Ithala), the provincial economic development arm of the KwaZulu-Natal Provincial Government embarked on a capacity building, skills transfer and entrepreneurial development programme for emerging contractors in the building and engineering disciplines some 5 years ago. This programme supports the Vision of Ithala i.e. to become “... the preferred partner in socio-economic development, instrumental in creating sustainable economic growth that impacts upon an improvement in the quality of life of a significant proportion of the people of KwaZulu-Natal.......

The programme is being supported by on site mentoring and after hours theoretical training by Khuphuka Education and Training Trust (hereafter referred to as Khuphuka), a development agency who works with under-resourced communities to increase people’s access to the economy.

Further assistance to emerging contractors is available from Ithala in the form of performance guarantees and working capital loans on building and engineering projects.

2. PHASED DEVELOPMENT OF PROGRAMME
The programme was initiated as a construction management initiative, progressed to a contract management initiative and is currently entering the third phase in its development namely community focused contract management.

2.1 Phase 1: Construction Management:
This phase involved the appointment of a Construction Manager to co-ordinate the activities of specialist contractors and labour-only contractors on the construction site.

The specialist contractors were procured via an open tender process and it was expected from them to supply their own labour and materials. The labour-only contractors were recruited via media advertisements and screened for employment by KTT based on their ability and willingness to receive training. The focus was therefore on willing but unable contractors with the aim to convert the unbleness to ableness by means of on-site technical training.

Under this scenario, Ithala as employer, assumed procurement responsibility for the materials needed. Ithala also assumed full responsibility and accountability for the following performance areas in the construction process:
- Project initiation
- Project planning
- Project execution
• Project control
• Project close out

To ensure accountability, Ithala appointed a Project Manager to oversee the process on a macro basis and placed a Construction Manager on site to ensure contractor performance and material supply. Khuphuka, as training partner, supplied after hours technical and entrepreneurial training. A specific clause in the contract documentation compelled the emerging contractors to attend the entrepreneurial training. A “carrot” of R1000 and a penalty of R1000 ensured adherence.

Examples of phase 1 development projects are: Flamingo Park Industrial complex in Umgeni Business Park, Durban and Ithala Shopping Centre development in Harding.

2.1.1 Flamingo Park Industrial Complex: Durban.
The complex consists of 12 000m² light industrial factory space constructed at a cost of R15 million. Twenty-four emerging contractors (labour only) were trained in technical and entrepreneurial skills.

2.1.2 Ithala Shopping Centre: Harding.
This project consisting of 5 400m² commercial floor space was constructed at a total cost of R10 million. A total of 18 emerging contractors received technical and business skills training. An added advantage of this project which was developed in a rural area was the fact that on completion of the project, the acquired skills were left behind in the area when the developer (Ithala) closed the project construction cycle. The beneficiaries of the skills transfer were therefore empowered to market themselves to the community as being able to successfully implement various aspects of the building and engineering disciplines. Since they all received certificates to confirm their acquired skills they were left with proof of their level of competency to potential employers (clients).

Khuphuka based their training curriculum in this phase on the following issues:

1. The improvement of the technical skills of the trainees in the various disciplines of the building industry. A full time instructor was available during working hours to mentor and assist the trainees on the job.
2. The improvement of the business skills of the trainees. After hours business training was presented in a special classroom supplied by Ithala for this purpose.
2.2 **Phase 2: Contract Management:**
During this phase of the development programme, fully fledged contractors were sourced via the press to participate in a building construction project. Preference was given to affirmative contractors in terms of Ithala’s Affirmative Procurement policy which gives up to 15% preference to qualifying affirmative contractors. The successful contractor, upon appointment, had to identify supervisory members or employees of its company as well as emerging sub-contractors to be used by him in the construction programme to receive compulsory entrepreneurial training by Khuphuka. The responsibility to nominate trainees was placed on the successful building contractor(s) by means of a training clause in the tender documentation.

The successful contractor(s) was responsible for the supply of all labour and materials in the execution of the project.

Ithala, as developer, therefore only accepts financial responsibility in the following areas of the construction process:

1. Project initiation.
2. Project planning.
3. Project monitoring in the execution and control phases. (Confirmation of “value for money” was needed before any payment was made).
4. Project close out.

Projects undertaken in this phase included the Ithala Shopping Centre at Mbazwana and extensions to the Defy factory in Ezakheni (Ladysmith).

2.2.1 **Ithala Shopping Centre: Mbazwana:**
This complex consists of 3 200m² commercial floor space and was constructed at a total cost of R6 million. Twenty-five trainees received technical and entrepreneurial training during the implementation of the project. The majority of the trainees stayed behind in the Mbazwana region after completion of the project.
2.2.2 **Defy Factory Extension: Ezakheni (Ladysmith)**

Three-thousand three-hundred m² industrial floor space were added to the existing factory occupied by Defy in Ezakheni Industrial Estate. A total amount of R4 million was spent on the project and 31 trainees received certificates to confirm the successful completion of their training course on completion of the project.

2.3 **Phase 3: Community Focused Contract Management**

This phase focuses on far greater community involvement in the planning and implementation phases and also involves trainees not necessarily actively involved in the construction process. Two projects have been approved, namely Nkandla Shopping Centre and Wilsons Wharf.

2.3.1 **Nkandla Shopping Centre** comprises of 3 300m² commercial floor space to be constructed at an estimated cost of R7 million. A training programme has been designed to focus on 30 trainees to be sourced from contractors on site and the community in general.

Prior to commencement of the project, Ithala, with the assistance of Khuphuka and in close consultation with the Nkandla community at large selected certain individuals to undergo technical skills training in certain identified disciplines. This training has been implemented before commencement of the project. Contracts for the construction of the centre have been awarded to affirmative contractors qualifying in terms of Ithala’s Affirmative Procurement guidelines. Specific clauses in the tender and contract documents ensured the employment of the trainees by the successful contractors.
Once the implementation phase of the project commenced, the entrepreneurial training programme of Khuphuka was initiated for compulsory, after hours entrepreneurial training to emerging contractors and their employees. All pre-project trainees have been included in this phase of the training programme.

This programme is focused on technical skills training as well as entrepreneurial training to ensure a pool of contracting skills to be left behind for utilisation by the community once the shopping centre has been completed.

The entrepreneurial training course of Khuphuka is based on the following curriculum:

Module 1: Characteristics of an entrepreneur.
Module 2: You have a job to do. Plan it on paper.
Module 3: Make your business legal.
Module 4: Where to register your business.
Module 5: What you have to know about employing staff.
Module 6: Site management.
Module 7: Start up capital.
Module 8: Planning your finances and keeping record.
Module 9: Costing and estimating.

The staffing structure on and off site for the project looks as follows:

Ithala’s Project Manager and Contracts Manager take full responsibility for the following activities with regards to the project and transfer the necessary skills involved to the Emerging Contractors during the execution of the project.

- **Scope Management.** The project is broken up into as many as practically possible mini-contracts and the scope of each contract is defined in such a way as to maximise its training and developmental objectives. The work breakdown schedule is used as basis to identify the potential mini-contracts to maximise the involvement of emerging contractors on site.

- **Contract Integration Management.** Ithala’s Contracts Manager, based full time on site, has to ensure that the various contracts are properly co-ordinated. It involves negotiation and persuasion to encourage contractors to work together towards a common goal. Ithala also plays an important role in managing integration by selecting members of local community for inclusion in the training programme and through their integration with the more established contractors on site.

- Site instruction books are kept by each contractor and site diaries are updated daily to ensure a continuous flow of information.

- **Contract Time Management.** The Contracts Manager on site must programme the activities of the various contracts and present it in bar chart format to the Project Manager for approval. He then has to manage implementation to meet the set milestones.

- The inclusion of time control as a module in the training course serves to emphasise the importance of time management to the trainees and brings the significance of time management closer to the coal face.

- **Cost Management.** This matter is dealt with in theory by Khuphuka in the classroom and in reality by the Ithala Contracts Manager on the construction site. Emerging contractors are exposed to practical ways and means to adhere to approved budgets.

- **Quality Management.** The presence of Ithala’s Contracts Managers on site and their constant supervision, as well as the mentoring service provided by the training institution during construction, ensures that an acceptable quality of workmanship is achieved.
• **Human Resource Management.** Contract human resource management involves communicating with, motivating, negotiating with, coaching and mentoring the various contractors on site.

• Ithala, through its on-site training programme, is able to achieve this and to develop or enhance the skills of the human resources involved in the project.

• **Communication Planning.** Contractors are informed of the correct channels of communication to ensure that queries are answered and information is received on time so as to avoid delays to the contractors while waiting for information.

• Meetings involving all contractors are held on a regular basis with the Contracts Manager and with members of the professional team to ensure that there is not a breakdown of communication.

• All queries are channeled through the Contracts Manager and correspondence is copied to the Contracts Manager.

• Site instruction books are kept by each contractor and site diaries are updated daily to ensure a continuous flow of information.

• **Risk Management.** Risk management refers mainly to the risk of injury on site. Ithala’s Contracts Manager is responsible for ensuring that the requirements of the OHS Act are implemented and adhered to on site by all contractors.

• This includes the appointment of responsible persons by each contractor in terms of the Act, the display of letters of appointment as well as the displaying of applicable notices and signage on site. The Contracts Manager holds regular safety meetings which are compulsory to be attended by representatives of each contractor on site.

• **Procurement Management.** Ithala’s Contracts Manager monitors the programme and prompts emerging contractors to schedule the acquisition of their resources so as not to delay progress. He also inspects materials on arrival on site so as to ensure their compliance with specification.

2.3.2 **Wilson’s Wharf.** Since this project is branded as Durban’s best kept secret to date, information about it will only be made known during the presentation of this paper. Safe to say that the following artists impression of the development catches one’s imagination. The envisaged skills transfer and emerging contractors development programme for this project is as exciting as the project itself.
CONCLUSION: The methodology followed by Ithala to unbundle the construction process to create mini-contracts suitable for implementation by emerging contractors create an innovative platform for emerging contractor development. The inclusion of business training in the training programme ensures the development of entrepreneurial skills amongst the contractors. The issuing of certificates at a graduation ceremony to acknowledge the successful completion of the relevant training courses not only boost the morale of the emerging contractors but also provide them with a document to confirm the skills acquired by them. The partnership between Ithala and Khuphuka in this regard works extremely well.

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Dr Koos Oosthuysen P.Eng

Born in 1943, studied at Universities of Pretoria and Potchefstroom. Obtained Bsc Eng, BEng(Hons) (Construction Management) MBA, DBA. Associated member of SA Institute of Civil Engineers, Registered Professional Engineer. Member of PMISA. Started career in 1966 in low cost housing field, moved in 1972 to Local Authorities (Municipal Services) and in 1976 to East Rand Development Board. Secured employment with Ithala in 1985 and is currently Technical Services Executive responsible for implementing new projects, maintaining fixed assets and providing municipal services in some industrial estates belonging to Ithala.