



Colossal costs lost to Construction Claims & Disputes...

CRUX Insight calls for industry re-set to withstand COVID crunch

The astonishing toll of overrunning costs and schedules on major construction and engineering projects worldwide is laid bare in an analysis of claims and disputes published today.

CRUX Insight 2020 is the product of investigations into more than 1,100 projects across 88 countries by HKA, the construction and engineering industry's leading specialists in consulting, expert and advisory services.

Design conflicts are eclipsing scope change as the main disruptors of major projects. As well as ranking the causes of claims and disputes, HKA's third annual CRUX Insight report provides a regional analysis with actionable advice to pre-empt these recurring problems – from its expert consultants in the Americas, Asia Pacific, Europe, and the Middle East & Africa.

The analysis reveals the eye-watering sums of money and time being lost, as well as the patterns of root causes. Already observing a surge in spurious claims conflated with the impacts of COVID-19, HKA consultants warn that the pandemic will be detrimental for the industry, and potentially lethal for already weakened contractors, without the corrective actions.

CRUX 2020 facts and figures:

- 1,185 projects with a combined CAPEX worth more than US\$1.8 trillion analysed.
- Cumulative value of sums in dispute exceeded US\$48.6 billion.
- On average, claimed values reached almost 56% of projects' planned capital cost.
- Extensions of time claimed together would amount to 593 years.
- Resultant delays would typically extend original schedules by more than 71%.
- While changes in scope are still most often to blame, design-related problems are now entrenched near the top of the rankings.
- The other most often recurring causes are: poor management of third parties, inadequate contract management, and deficiencies in workmanship.

Simon Moon, HKA Chief Operating Officer:

“The wealth of data captured in this year's CRUX Insight report is unparalleled. Our findings are also timely for the industry, as we confront an unprecedented global challenge.

“The pandemic is afflicting all industries and territories. Already mired in project overruns and cost escalations, construction faces rising uncertainty and further impacts from COVID. Now is the time to learn the lessons and re-set the industry by tackling the root causes with practicable measures that will result in more mature designs, robust schedules and effective governance of major projects.”

Learning and sharing the lessons

The web of causes undermining projects is as universal as it is perennial. Through the 2018-2020 CRUX dataset, the dominant cause of claims and disputes is change in scope, which in turn is closely linked with design failures. A notable development in the latest analysis is how these design-centric problems – incorrect, incomplete and late design information – have risen up the ranking.

Together they form a nexus disrupting more projects than any other factor across all four regions. With the increasing complexity of projects, and incorporation of new technologies and materials, these risks are looming larger.

The same trend is also triggering failures in how sub-contractors, the supply chain and related interfaces are managed. This is the next most prominent cause of claims and disputes in the 2020 ranking, and it is rising or stubbornly high across regions.

Unforeseen physical conditions and deficiencies in workmanship are the other most common contributory factors to project under-performance.

On a more positive note, failures in the management or administration of contracts, and also clashes over their interpretation, have fallen out of the top three – a development at least partly attributable to investment by some international contractors and state agencies in their in-house capabilities, training and organisational change programmes.

Toby Hunt, Partner and Chief Business Development Officer, said: “In these turbulent times, the industry should use the CRUX research programme to alert stakeholders not just to the underlying causes of claims and disputes, but also to the positive, practical actions they can take to avoid, or at least minimise, the massive disruption, costs and delays they bring.

“CRUX can inform better decisions by employers, contractors and the wider supply chain who heed the lessons in this year’s report. All stakeholders can benefit from using CRUX – and its interactive dashboard* – to benchmark their performance by region. A deeper dive into our unmatched dataset allows you to gauge risks by sector, target market, contract form, and answer other crucial questions.”

The HKA Partner added: “Just as the ongoing cost of failing to anticipate and mitigate these known risks is colossal, the opportunity for the industry and those who act on CRUX’s findings is immense.”



NOTES:

Regional Insights

Major engineering and construction projects wherever they are in the world are prey to common pitfalls, but some particular priorities emerge from CRUX Insight's regional analysis.

Americas

Fast-track construction is squeezing the design phase, and the pace of build often outstrips capability to control and manage. More investment in up-front planning, design and coordination is imperative, along with smarter procurement and more balanced risk allocation.

Asia Pacific

Urbanisation and a demand shift are increasing the complexity of projects. Contractors have to harness multi-disciplinary expertise while meeting tight budgets and timescales. Reconciling these conflicting pressures requires investment in supply chain management; more clearly defined responsibilities and delegation; and development of in-house staff.

Europe

The design problems driving claims and disputes often stem from failed coordination rather than poor component design. Lump-sum design contracts and time pressures are compounding factors. Through Early contractor involvement (ECI), employers can lead the concerted action needed to clarify requirements, enhance design maturity, leverage supply chain capabilities and ensure buildability.

Middle East & Africa

Late approvals are triggering claims and disputes as oil projects are paused for reappraisal, and compliance checks on new technologies and sustainable materials take longer. These delays could be curbed if contractors took a more proactive approach to requests, review points are fixed in contracts, and client organisations simplify internal processes and upskill staff.

Global perspective & COVID effects

The conclusion of the CRUX Insight report provides a global perspective, drawing together the main themes of the regional analysis, and it also considers the ramifications of the pandemic for the industry. Better record-keeping to prove the cause and effect of COVID-related restrictions and events is an urgent priority. The report also cites evidence of a shift towards less adversarial routes to resolving disputes, and foresees this trend continuing in the post-COVID era.

* The CRUX Insight Dashboard: Explore the causes of claims and disputes by sector, by region and by contract type using the CRUX Interactive Dashboard

[hka.com/crux-interactive-dashboard/](https://www.hka.com/crux-interactive-dashboard/)

Download a copy of the 2020 CRUX Insight Report at

<https://www.hka.com/2020-crux-insight/>



About CRUX

CRUX is HKA's integrated research programme. This draws on incomparable intelligence from investigations by experts providing claims consulting and dispute resolution services on major capital projects around the world. CRUX Insight is our annual publication analysing the root causes of claims and disputes. We are committed to sharing lessons with clients and more widely so our industry can effectively manage risks on complex projects.

About HKA

HKA is one of the world's leading privately owned, independent providers of consulting, expert and advisory services for the construction, manufacturing, process and technology industries.

We also have specialist expertise advising clients on the economic impact of commercial and investment treaty disputes and in forensic accounting matters. In addition, HKA supports companies that conduct business with the US Federal Government, providing them with consulting services on complex government contracting matters.

As trusted independent consultants, experts and advisors, we deliver solutions amid uncertainty, dispute and overrun, and provide the insights that make the best possible outcomes a reality for public and private sector clients worldwide.

HKA has in excess of 1,000 consultants, experts and advisors across 46 offices in 17 countries.

For more information about HKA, connect with us on [LinkedIn](#), Twitter ([@HKAGlobal](#)) and [Facebook](#).

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