



Challenging the Myths About Construction

Investor uncertainty is not supported by the facts

Leading construction management expert, Professor David Carmichael believes that certain misconceptions about the construction industry need to be challenged. Potential investors can sometimes shy away from the industry with its perceived public image of gung-ho masculinist management cultures and its traditional fluctuations in workload.

But Professor Carmichael's research has shown that such investor uncertainty is simply not supported by the facts. Professor Carmichael and co-researchers have recently completed a study of the comparative management efficiency performance of construction companies.

They examined publicly-listed Australian construction companies over the 10-year period 1998-2007. The construction companies used in the study engage in work covering the full range of construction activities. Each company's performance was compared with a select number of 'blue chip' companies as a benchmark. Nineteen management efficiency measures were used including asset management ratios, debt and safety ratios, and cash flow ratios.

The results indicate that construction companies perform as well as, and in some cases better than, other businesses, dispelling some of the misconceptions about construction businesses.

Professor Carmichael says that he hopes the paper's finding will be useful to those investing in the construction industry, and will lead to a better public perception of construction businesses.

The paper 'Management efficiency performance of construction businesses: Australian data' was selected to appear in *Built Environment and Property Management - A Focus on Australia* (Emerald Group, Bingley, UK, 2015) which brings together some of the most highly cited, read and innovative research in its field, providing an unparalleled insight into the built environment and property management industry.

About Professor David Carmichael

An expert in contracts management Professor David Carmichael's research paper, titled "Optimal sharing arrangement for multiple project outcomes" co-authored with his PhD student S. Mahdi Hosseinian, was published in the Journal of Financial Management of Property and Construction and was then selected by the journal's editorial team as the Outstanding Paper in the 2015 Emerald Literati Network Awards for Excellence. Professor Carmichael's work addresses a shortfall in the literature dealing with optimal sharing arrangements. In construction projects, where the owner is concerned about multiple project outcomes (cost, time, quality, etc) there currently exist no guidelines on what a sharing arrangement should be between the owner and the contractor. This paper provides an original solution to establishing an optimal multiple-outcome sharing arrangement. By providing a broader understanding of sharing arrangements within contracts, Professor Carmichael's work also makes a real contribution to the current practice of contracts management. The results may be used in the design of contracts, or as benchmarks, by which contracts designed differently, may be compared.