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# A KNOWN QUANTITY

Construction might be a global industry, but the way it measures costs varies enormously. Five leading industry figures discuss why the international standards movement is turning its attention to the issue

Words David Blackman Illustration Cajsa Holgersson

**L**ike many other industries, construction is now a globalised business. And it has been a long time since this traffic was one way, as can be seen in the growing appetite for western markets displayed by Asian companies. Architects, contractors and developers will often seek to import their own tried and trusted supply chains, helping to explain the spate of recent mergers in the consultancy and engineering fields.

But while the industry is becoming more internationalised, the way it measures costs is often still determined by the markets in which work is carried out. Such inconsistency in standards breeds misunderstanding and uncertainty, which the industry is now seeking to remedy. The International Construction Measurement Standards Coalition, an umbrella group of more than 30 professional bodies that includes RICS, has been developing a new international construction measurement standard (ICMS), a draft version of which is due to be launched for consultation this month.

Why do our panel think such a standard is important, and what do they hope its introduction will achieve?

## HOW HAS THE INDUSTRY BECOME MORE INTERNATIONAL OVER THE PAST 10 YEARS?

**RF:** It's a global business now. Take a company such as Skanska, where I used to be a non-executive director. It's now the number two firm in the US, so the board in Stockholm is driven by an international agenda. There's a huge cross-fertilisation of ideas in design and procurement. I go to China a lot, and their biggest focus now is how to internationalise the supply chain. Building steel to Chinese standards won't help, you have to build it to the very highest international standard.

**TC:** We started our business 10 years ago, but now we have customers from all over the world, including several multinational companies. Although our primary market is the UK, 65%-70% of our operations are around the world, and we are getting more and more work abroad. »

## Who's in the discussion:

- » **Tolis Chatzisyneon**  
CEO of cost-estimating software developer Nomitech, Hertford, UK
- » **Martin Darley FRICS**  
Project controls manager, Chevron, Houston, US
- » **Julie dela Cruz FRICS**  
Associate, EC Harris, Dubai, and chairman, Philippine Institute of Built Environment
- » **Roger Flanagan FRICS**  
Professor of construction management, University of Reading, UK
- » **KC Tang** Director, KC Tang Consultants, Hong Kong



*‘The time and effort spent understanding and explaining will be much diminished with ICMS’*

KC Tang [above]

**KT:** Most Hong Kong-based quantity surveying firms have a global partner. Clients have been coming to Hong Kong for a long time from the US, Japan, Australia and the UK. But now people are talking about going to places such as Vietnam and Cambodia.

#### HOW DIFFICULT IS IT TO OPERATE GLOBALLY WHEN THE STANDARDS USED IN DIFFERENT MARKETS ARE SO INCONSISTENT?

**TC:** Trying to get international work is difficult because there are different standards. People trying to invest in a foreign country don't know how their money will be spent.

**MD:** We have to be totally transparent. Chevron's results are published on the New York Stock Exchange. Everything we do is out there in the market – partners want to know what we are doing and everyone has to see what's going on. You can't operate in a global environment without transparency.

**JC:** When we work on a particular project a certain standard method of measurement is required. On the next project, in another country, we might have to use another method and have to learn different measurement standards. Efficiency is affected because we are on a learning curve all the time.

**KT:** Most clients appear to be rather receptive to the Hong Kong method of working. Those from a Commonwealth background are used to Commonwealth standards. Even those from the US, which has its own standards, accept the Hong Kong way of delivering projects. It gets more difficult in mainland China and Macau. We have to follow their standards and their way of working, which causes some difficulties as it takes time to learn them.

Where standards are different, “ordinary quality” will have a different meaning. We may find it difficult to explain to the client why the building is more expensive because we are building to a higher classification of quality. Standards will be quite different, so there will be apparent inconsistencies in costs/m<sup>2</sup> between country A and country B.

**JC:** Using another method of definition creates an additional expense. We cannot do a comparison for cost analysis because you cannot compare like with like.

**MD:** To bring all these standards together, you have to conduct a high level review and translate all these different definitions into a common platform. People are making very expensive mistakes because they don't understand the basis of measurement.

#### HOW IMPORTANT IS IT TO HAVE PROFESSIONAL ADVICE AND THE RIGHT DATA TO SUPPORT YOUR SERVICES IN VARIOUS MARKETS?

**RF:** It's hugely important. If we could reduce construction costs by 3%, you could probably build 200 new schools in the UK.

**MD:** There's enormous scope for improving the industry and how we invest capital. Construction is a huge part of any country's GDP. If you are doing that inefficiently, it's not good. The only way to improve that is with better information. If you can define your cost elements, you will have confidence in what you are doing. If you don't know what you are doing, you can't improve it.

If standards are inconsistent, you will eventually make some very expensive mistakes, which can undermine confidence in the ability of the organisation.

#### HOW WILL INCONSISTENCIES IN REPORTING COSTS HINDER THE WIDESPREAD ADOPTION OF AN OPEN PLATFORM SUCH AS BIM?

**JC:** This is a major issue, to be honest. If one standard is used, it will have a significant impact on the spread of BIM.

**KT:** Clients are keen to use BIM but when they come to costing it's a headache, which is limiting its spread. Because of the openness of sharing in BIM, some standardisation on cost classification is very important.

**MD:** BIM gives you lots of data. You can do plenty with it, but if you are not using it in a consistent manner, you might as well not bother.

#### HOW DO YOU ENVISAGE THAT ICMS MIGHT SUPPORT YOUR BUSINESS?

**JC:** It will help Arcadis. We operate globally, but our businesses are working on different standards, so you can imagine the value of having a consistent standard. The process will be more efficient because we will all be looking at the same standard.

**TC:** In an international marketplace, not having a common language and culture brings many difficulties, because people are used to working in different ways. With ICMS, we won't have to spend so much time and effort localising the project because people will know that it's compliant.

The standard will help professionals communicate with each other, and it's going to reduce the time that people spend investigating markets. We are coming up with a new toolkit for cost benchmarking and forecasting, which people will be able to use anywhere in the world.

It also means that construction professionals will be able to work in other countries, as well as their own.

**KT:** If we have a standard like ICMS, the time and effort spent understanding and explaining will be much diminished, which will be very useful.

#### A WIDE RANGE OF STANDARDS ARE BEING USED TODAY. HOW ACHIEVABLE IS A GLOBAL ADOPTION OF ICMS?

**JC:** In time, companies should adhere to ICMS because they will see the value of it. When we launch in 2017, it will only address high-level definitions for the time being. The first stage should be the definition of terms and exclusions and what is included in the cost estimate. Later on, it can include volumes. We will have the high-level standard and then businesses can adapt whatever local standards they have.

**KT:** We are trying to establish a simple enough standard that everybody can follow in parallel with the local standard, which can be very detailed and specific to allow for the variation in construction methods and policies in each market. ICMS is going to give a high-level standard so that you can easily compare one project against another.

We are not trying to replace the local standards, we are trying to provide a simple way of comparing costs.



*‘Without a common language and culture there are many difficulties, because people are used to working in different ways’*

Tolis Chatzisyneon [above]

#### HOW WILL A PROJECT LIKE ICMS LEAD TO A MORE STANDARDISED APPROACH?

**MD:** Integrity of information is important – the better the information, the better the decision quality. Any decision we make on a significant investment is based on the quality of the data. Something like ICMS is just another way of understanding the data.

**RF:** We report in very different ways and ICMS is about trying to bring some consistency. If you are building housing in Hong Kong, I am very interested in what housing costs in Rio or London. I use the comparison of financial reporting, which the accountancy profession has very carefully tried to shape to global standards. This is an attempt to bring a similar discipline to the way we report cost information.

**KT:** Ensuring that the data can be rolled up into a consistent format is going to help a lot. With ICMS, we are trying to describe the major features consistently so we can compare country A with country B. Without this consistency, we are always talking about apples and oranges, so will spend a lot of time searching for the inconsistencies. We can't afford to miss any costs that go into the total cost report, so it's very important. Once you classify costs in a systemic way, differences in local practice will be ironed out.

Also, if any country doesn't have a local standard, ICMS can be a good reference. Once we have a standard that everybody is following, we won't have to spend so much time explaining. Life will be a lot easier and happier. ■

**PUBLIC CONSULTATION** on the ICMS draft standard is open until January 2017. Have your say at [icms-coalition.org/consultation](http://icms-coalition.org/consultation)