

The Relationship Between Actual and Perceived Risk in Building Contracts in Kenya

Abstract:

The success of any project critically depends on the extent to which inherent risks are identified, analysed, allocated to the parties and managed. Sound analysis of the potential impact of risk in turn depends on the analyst's perception of the risk, which perception may not be closer to the risk impact. The work presented in this paper is an evaluation of perceptions of risk factors that significantly contribute to variations in cost performance. Findings indicate an unprecedented change in the level of risk between contract commencement and completion for three factors that were initially not perceived as significant, with the quantity surveyors having the correct perception of only three factors. The findings demonstrate a clear distinction between factors forming the basis upon which quantity surveyors develop their cost management strategy and actual factors as they materialise during project execution. They also reflect the uncertainty within which Kenya's building projects are executed, pointing out the difficulties experienced in forecasting the frequency and potential impact of risk factors on cost performance. These findings shall help all practitioners involved in construction management in developing a sound risk management framework to aid in reducing the impact of these factors on cost.