

NEED OF CONTRACT ADMINISTRATION IN CONSTRUCTION PROJECTS

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ABSTRACT: The luck of all projects is closely relates to the right prepared contract. Contracting is an integral part of construction projects. Managing the contracts therefore is equally important for the success of any business process due to rapid increase in multiple contracts. Contract and partnerships are an essential part of today's high speed, multilateral business culture both in the public and private sector. Contract administration is becoming an integral part of project management, and business in general. Many commercial and project managers are more and more facing contract administrative issues. Contract administration is the active management of the relationship between the client and the contractor over the term of the contract for the provision of goods and services to the agreed standards. Contract administration should be proportionate to the value, risk and complexity of the contract.

Successful contract administrative organisations can increase control, increase effectiveness and reduce cost and also provide strategic and competitive advantages. Good preparation, the right contract, single business focus and service delivery management and contract administration factors essential factors for good contract management. There are several reasons why organisations fail to manage contract successfully, the chief reason for project delays is poor contract administration, therefore need of proper contract administration is essential.

1. INTRODUCTION:

Contract: An agreement enforceable by law is contract

Administration: The act of managing duties, responsibilities, or rules is administration.

“**Contract Administration**” is a process of carrying out construction work in a planned manner on behalf of the appointee. Construction work include detailed planning, feasibility study etc. from the every stage of project. The objective of Contract Administration is developing better relationship between owner and contractor by reducing conflicts/arbitration.

Construction projects in India are worth crore of rupees per year. It is the most competitive and risky business. The money involved in this sector is from public fund, so it becomes very important to see that such projects get successful to avoid any type of blockage of funds. In addition it is equally important to complete the project in time to avoid obsolescence loss of the product. In almost all construction projects, there is a contract between owner and contractor for desired product after successful completion of the construction project. Each construction contract is unique and need unique understanding and interpretation as per the contractual requirements. Each contract carries a set of obligations to be performed by the parties involved in the contract, so there is a need of contract administration.

In current time, the projects are becoming giant in size and more complex due to technological development, joint ventures and foreign collaboration, specified needs, time constraints, special infrastructural requirements and parallel involvement of various agencies in project. Today construction industry is operating under high level of competition and profitability became the prime concern for all the contracting organizations. The real strength of successful contracting parties lies in cooperation of the owner and contractor as partners of the same team with common goal laying more stress on their mutual trust and understanding, their positions are rarely equal and contracts are left open to multiple interpretations. Hence, study of **Contract Administration** is necessary tool for completion of project. It is said that efficient & effective contract administration will reduce the cost of project by 10%. This study involves emphasizing the need of contract administrator for Smooth execution of contract.

2. OBJECTIVES:

- To study the need and functions of contract administration.
- To find out the importance of need of contract administration.
- To ranking the need of contract administration.
- To arrive at some conclusion regarding importance of effective contract administration.

3. SCOPE OF WORK:

- Study includes public sector and government sector construction contract from Gujarat state region of the country. For medium to large size projects over project cost 10 crore.
- To fulfill the objectives to do a trend survey for need of contract administration. Review of respondents has been taken through questionnaire survey and personnel interview.
- The respondents for to take a survey are clients, consultants and contractors. The respondents were selected to fulfill the following requirements:
 - Person is engaged in all phases of work of the project
 - Size of organization medium to large
 - Ease of data (Response of the person)

4. RESEARCH METHODOLOGY:

These study data were collected using tools of personal interview and questionnaire was prepared taking concept from the research review. A questionnaire includes all main need of contract administration in construction project fir successful completion of project. A questionnaire was developed to assess the perceptions of different parties, clients, consultants, contractors involved in the construction projects for to evaluate the need of contract administration in construction projects.

4.1. QUESTIONNAIRE FOR SURVEY:

1. Developing proper and accurate bid and contract documents with detail specifications.
2. Conduct a Pre-bid conference to present client's requirements and pre qualification criteria for selection of contractor and any queries and suggestions.
3. To participation in Bid Evaluation Process.
4. Conduct a kick-off meeting with the contractor and agencies after the contract has been awarded and a work order has been issued.
5. Interference in selection of the subcontractor proposed for the project according to the work they will perform.
6. Manage labour laws and its complains and monitor welfare facilities on site.
7. Ensure that there is a proper system used for review, testing and inspection before acceptance of goods, works or service delivered.
8. To co-ordinate and ensure that clients, contractors and consultants are working as per committed time.
9. To develop an excel sheets and timely submit required reports for transparency of the process, with properly filled documents.
10. Payment Clause: Value engineering be got done for all major proposals for advance payments and Ensure that all deliverables are inspected or checked that they are complained with terms and conditions of contract.
11. To develop effective Channel of communication between client, contractors and consultants for better contract performance.
12. To manage and administer Variation in orders that modifies the original contract.
13. To identify Potential Risks associated with the project and develop action plans to mitigate those potential risks by providing timely information and alerts.
14. Price Escalation: Analyze issues or situations carefully and in a timely manner. In genuine case, mediation between client and contractor to avoid disputes and delays
15. Time Extension: Prepare legal paper work requesting for time extension to complete contract to the authorities in favour of contractor or consultant in case of genuine causes.
16. Notices: Contract Administration is needed for proper and satisfactory reply of each legal notice for all the agencies.
17. Claim Settlement: Smooth administration and resolution of disputes and implementation as necessary.
18. To administrate Discharge of Contract after maintenance period get over.

4.2. STUDY AREA:

The study area includes public and private contract over 10 crore of Gujarat state only.

4.3. RESPONDENTS:

Total 102 respondents are selected for to take review from their in which:

- Clients-48
- Consultants-21
- Contractors-33

The respondents are rating the need of contract administration based on importance of the respective need. **The weightage of rating:**

- 1: Not Important**
- 2: Less Important**
- 3: Important**
- 4: Very Important**

5. ANALYSIS OR DATA INTERPRETATION (RII ANALYSIS):

The data received from the questionnaire survey will analyze by Relative Importance Index (RII) method to determine the relative importance of major need of contract administration in construction projects.

The RII formula is given below:

$$RII = \text{Sum of weights } (W_1 + W_2 + W_3 + \dots + W_n) / A \times N$$

Where, W = weights given to each factor by the respondents and will ranges from 1 to 4

(‘1’ is less significant and ‘4’ is extremely significant)

A = highest weight (i.e. 4 in this case)

N = total number of respondents

The investigation results for need of contract administration in Indian construction contracts shows that the ranking of need of contract administration with the highest degree of importance. It will help to almost mitigate most of the problem which leads to the delays and disputes.

3.1. SURVEY RESULTS AND ANALYSIS:

Table 1: Response from respondents and Ranking

Que	4	3	2	1	RII	Rank	Que	4	3	2	1	RII	Rank
1	78	22	2	0	0.9363	1	10	45	51	6	0	0.8407	11
2	55	44	3	0	0.8775	3	11	42	48	12	0	0.8317	13
3	50	43	9	0	0.8505	10	12	46	45	11	0	0.8374	12
4	49	36	17	0	0.8272	15	13	47	38	15	2	0.8186	16
5	30	40	17	15	0.7083	18	14	59	37	6	0	0.8799	2
6	39	57	6	0	0.8309	14	15	52	45	5	0	0.8652	7
7	61	32	9	0	0.8775	4	16	46	52	4	0	0.8529	9
8	55	44	3	0	0.8575	8	17	54	44	2	2	0.8676	6
9	30	42	24	6	0.7455	17	18	58	37	7	0	0.8750	5

5.1. RANK OF NEED OF CONTRACT ADMINISTRATION IN CONSTRUCTION PROJECT:

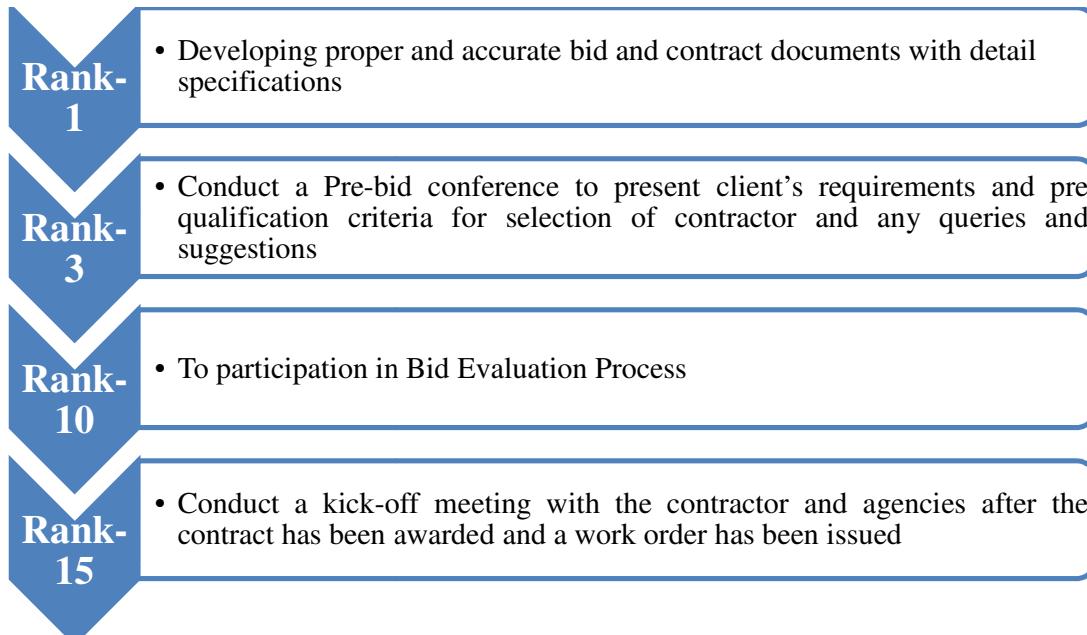


Figure 5.1: Rank of Need of Contract Administration in Pre-construction Activities

5.2. RANK OF NEED OF CONTRACT ADMINISTRATION IN DURING AND POST CONSTRUCTION ACTIVITIES:

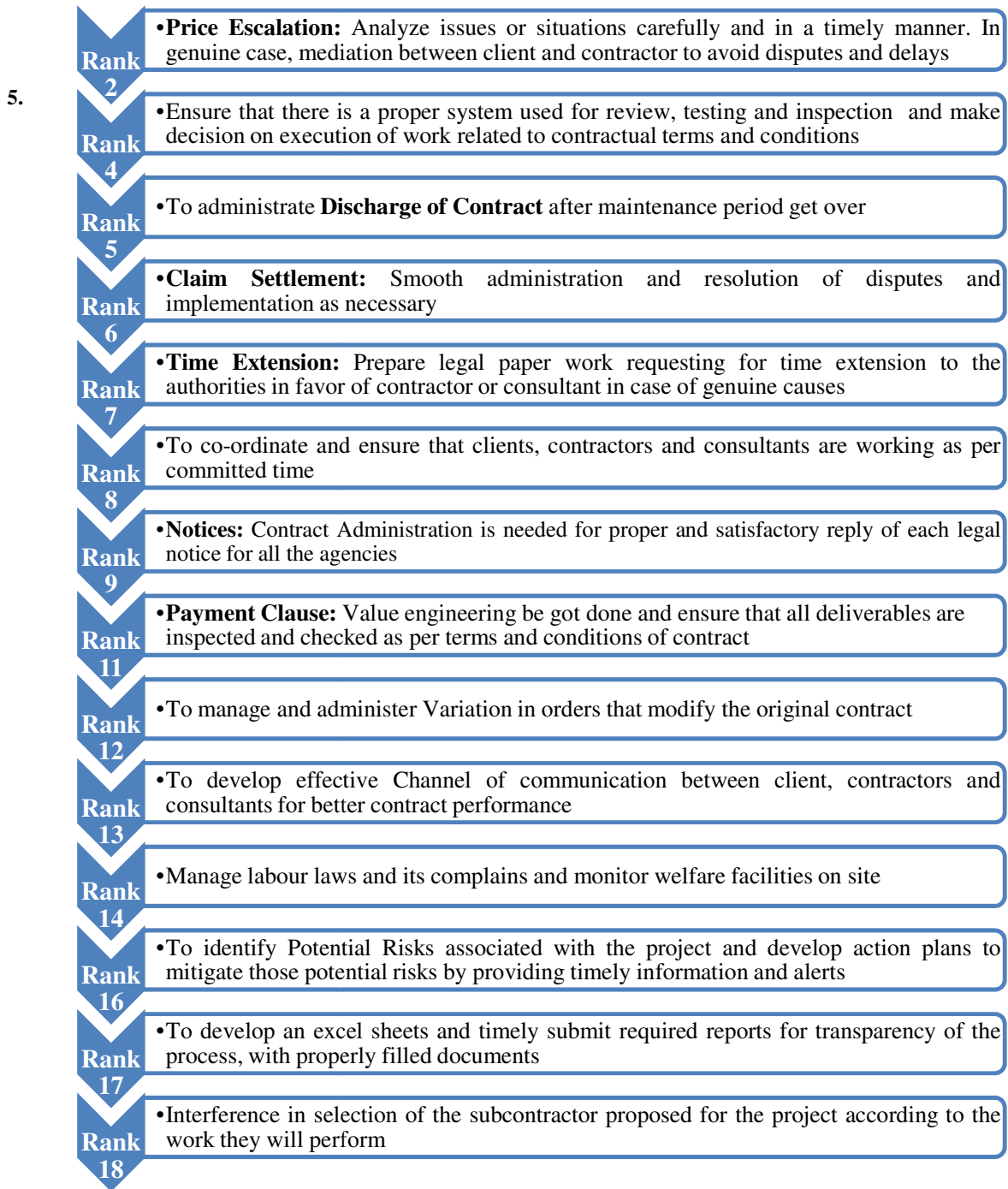


Figure 5.2: Rank of Need of Contract Administration in During and Post Construction Activities

6. CONCLUSION:

- The investigated results for to find out the need of contract administration in construction project.
- The study results analyze by the relative important index theory and it will give the importance of need of contract administration to higher degree of importance (RII=97%) to lower degree of importance (RII=70%).
- The investigated results clear that efficient and effective contract administration is needed for successful completion of projects

- In this study all main need of contract administration either it is pre-construction, during construction and post construction activities are find. Also find out the rank of its importance in contract administration for successful completion of project

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