



ADDIS ABABA UNIVERSITY  
COLLEGE OF BUSINESS AND ECONOMICS  
SCHOOL OF COMMERCE  
DEPARTMENT OF PROJECT MANAGEMENT

The Role of Contract Administration on Project Performance:  
The Case of Oromia Water, Mineral and Energy Bureau.

A Project Work Submitted to the, College of Business and Economics, School of Commerce University of Addis Ababa for the Award of Degree of Master in Project Management.

By: Dandane Hirpassa

Advisor: Dr. Abdurazak Mohammad

2018 G.C  
Addis Ababa

## Declaration

I, Dandane Hirpassa Daba hereby declare that this Project work entitled “**The Role of Contract Administration on Project Performance: The Case of Oromia Water, Mineral and Energy Bureau**” submitted by me for the award of the degree of Master in Project Management, is an original work carried out by me and it has not been submitted previously in part or full to this or to any other Institution for any award.

Signature\_\_\_\_\_

Date\_\_\_\_\_

## Certification

The undersigned certify that he has read and hereby recommends for acceptance by Addis Ababa University School of Commerce a project work entitled: **The Role of Contract Administration on Project Performance: The Case of Oromia Regional State, Water, Mineral and Energy Bureau**, in partial fulfillment of the requirements for award of the degree of Master’s degree in Project Management.

.....  
Advisor:- Abdurazak Mohammad (Ph.D.)

-----  
Date

-----  
Internal Examiner

-----  
Signature

-----  
Date

-----  
External Examiner

-----  
Signature

-----  
Date

## Acknowledgements

First and foremost, I thank God the Almighty for his love, enablement, and provision. Were it not for JESUS, It would be impossible and therefore I always praise and thank.

Many thanks should go to my Organization “Oromia Regional State Public Procurement and Property Disposal Agency” especially to **Ato Mohammed Qasim** who were General Director of the Agency, for giving me the chance without any hesitation to pursue my education by sponsoring me.

I would like to thank my Advisor, Dr. Abdurazak Mohammad for his good advice. He was always ready to provide me with his valuable and constructive suggestions that enabled this project to run smoothly, for guiding me through every step of the work and providing me direction and insight during the course of this work.

May I take this opportunity to thank Chaltu Motuma for her invaluable support especially her good treatment of my little baby ‘Buchee’ when I was get overburdened during my study with so many problems other than the education and my friends and work mates for supporting and encouraging me in my effort.

I would also thank all my family members especially my father Hirpassa Daba, My mom Talile Chalchissa, My bro. Takele Hirpassa, my sisters. Askale Hirpassa and Bizunesh Hirpassa for their constant moral support and prayers throughout the entire duration of my studies. Their words of encouragement, LOVE, and INSPIRATION, to me never failed to keep me going even through the hardest of times and it is here that I am expressing my sincerest gratitude to them.

I would like to sincerely thank my lovely husband Girma Hundessa for his support in editing and giving me an idea on doing this project work and those individuals who spared time to respond to the questionnaire, particularly case company workers. Their contribution to this study is invaluable. My appreciation also goes to all those who contributed directly and indirectly to making this study possible. I would also like to express my thanks to my classmates with whom I have exchanged ideas.

## Table of Contents

Declaration .....	I
Certification.....	II
Acknowledgements.....	III
Abstract.....	IV
Table of Contents.....	V
List of Tables.....	VI
List of figures.....	VII
Abbreviations .....	VIII
I. INTRODUCTION .....	1
1.1 Background of the study-----	1
1.2 Statement of the Problem-----	2
1.3 Research Questions -----	4
1.4 Objectives of the Study-----	4
1.5 Significance of the Study-----	4
1.6 Scope of the Study-----	5
1.7 Limitations of the Study-----	5
1.8 Organization of the Research Report-----	5
1.9 Definition of terms-----	6
2 .LITERATURE REVIEW-----	8
2.1 Theoretical review-----	8
2.1.1 Contract administration -----	8
2.1.2 General contract administration process-----	9
2.1.3 The project contract life cycle-----	12
2.1.4 Essential features of valid contract-----	13
2.1.5 Terms and conditions of contract-----	15
2.1.5.1 Conditions of contract-----	15
2.1.5.2 Terms of contract-----	15
2.1.6 Remedies for breach of contract -----	18
2.1.7 Contract as a project risk management tool -----	19

2.1.8 The project management triangle -----	20
2.1.9 Kraljic model and supplier relationship matrix -----	21
2.2. Theoretical perspectives -----	23
2.2.1 Contract Compliance Theory-----	24
2.2.2 Contract Management Theory-----	24
2.2.3 The Will Theory -----	25
2.3 Empirical studies-----	25
2.3.1 General literature-----	25
2.3.2 Literature specific to Ethiopia-----	26
3 RESEARCH DESIGN AND METHODOLOGY -----	29
3.1 Introduction -----	29
3.2 Area of the Study-----	29
3.3 Population of the Study-----	31
3.4 Research Design -----	31
3.4.1 Sampling Design-----	31
3.4.2 Sample Size-----	31
3.4.3 Sampling Techniques-----	32
3.5 Methods of data collection-----	32
3.5.1 Sources of data-----	32
3.5.2 Data collection instruments-----	33
3.6 Methods of Data Analysis-----	34
3.7 Reliability and Validity of Data-----	34
4. FINDINGS AND DISCUSSION -----	36
4.1 Introduction-----	36
4.2 Back ground information of respondents-----	36
4.2.1 Respondents Experience with OWMEB CACS -----	37
4.2.2 Educational Level of the respondents-----	37
4.3. The main findings of the study specific to the study objectives-----	37
4.3.1. Contract administration planning practices-----	38
4.3.1.1. Importance of contract administration plan-----	38
4.3.1.2. Preparation of the contract administration plan-----	38

4.3.1.3. Contract administration plan preparation stage-----	39
4.3.1.4 The importance of contract administration function for project delivery -----	41
4.3.1.5. Role and responsibility of contract administration managers and officers-----	41
4.3.1.6. Respondent’s view on the staffing of the CACS staff-----	42
4.3.2. The contribution of contract implementation monitoring-----	43
4.3.2.1. Respondents’ view on the performance of projects -----	44
4.3.2.2. Separate body to follow up the contract-----	46
4.3.2.3. Monitoring interval of the contract-----	47
4.3.2.4. Change control mechanism-----	48
4.3.2.5. The utilization of benefits promised during contracts by OWMEB-----	49
4.3.2.6. Enforcement of penalty clauses for the breach of contracts-----	50
4.3.2.7. Dispute resolution mechanisms-----	51
4.3.2.8. Respondents’ experience on disputes with OWMEB contractors/suppliers-----	52
4.3.3. Inspection of deliverables-----	53
4.3.3.1. The conductor of the inspection of project deliverables-----	53
4.3.3.2. The methods that used to inspect the deliverables-----	54
4.3.3.3. Documentation of the lessons learned-----	55
4.4. Risks Associated with Poor administration of project contracts-----	56
5 CONCLUSIONS AND RECOMMENDATIONS-----	58
5.1 Introduction-----	58
5.2. Conclusions-----	58
5.3. Recommendations -----	59
REFERENCES -----	61
APPENDIX-----	1

## List of tables

Table 4.1: Respondent's experience in OWMEB's CACS Department -----	36
Table 4.2 Educational qualification of respondents-----	37
Table 4.3 Importance of contract administration plan -----	38
Table 4.4 preparation of contract administration plan-----	39
Table 4.5 Importance of contract administration function on project delivery-----	41
Table 4.6 Role and responsibility of contract administration managers and officers-----	42
Table 4.7: Staffing of the CACS department-----	42
Table 4.8 Respondents opinion on the role of contract monitoring on performance of project: -----	43
Table 4.9 Separate body to follow up the performance-----	46
Table 4.10 Pre-determined change control mechanism-----	48
Table 4.11 Utilization and realization of promised benefits by OWMEB-----	49
Table 4.12 Enforcement of penalty clauses-----	50
Table 4.13 Respondents' experience on dispute with contractors/suppliers-----	52
Table 4.14 Inspection of deliverables-----	53
Table 4.15 The individuals who inspect the deliverables-----	53
Table 4.16 Ways of conducting the inspection-----	54
Table 4.17 Documentation of lessons learned-----	55



## List of figures

Figure 2.1. The Project Management Triangle-----	21
Figure 2.2. Kraljic Model and Supplier Relationship Matrix-----	23
Figure 2.3. Conceptual framework of the study-----	28
Figure 3.1. Organizational structure of OWMEB-----	30
Figure 4.1. Preparation time of the contract administration plan-----	40
Figure 4.2. OWMEB's project accomplishment trend -----	45
Figure 4.3. Dispute resolution mechanisms-----	51

## List of Acronyms and Abbreviations

CACS – Contract Administration and Construction Supervision  
CIPS - Chartered Institute of Purchasing and Supply  
CM – Contract Management  
IACCM - International Association for Contract and Commercial  
ICC - International Chamber of Commerce  
JIT – Just In Time  
KPI - Key Performance Indicators  
OBoFED – Oromia Bureau of Finance and Economic Development.  
ONRS – Oromia National Regional State  
OWMEB – Oromia Water, Mineral and Energy Bureau.  
PMBOK- Project management body of knowledge  
PMI – Project Management Institute  
PPA – Public Procurement Agency  
SOW – Statement of Work  
SPSS - Statistical Package for the Social Sciences.  
TQM – Total Quality management

## Abstract

*The study dealt with the role of contract administration on the project performance at Oromia Regional State, specifically at Oromia Water, Mineral and Energy Bureau. The objectives of the research were to assess the contract administration planning practices and its role on managing the contracts, to assess the contribution of timely monitoring of contract implementation for the performance/success of projects and to assess the inspection practice and its contribution to get the intended project deliverables. Different literatures were assessed to show that contract administration plays a great role on the project performance and it acknowledged the contract administration role on project performance. A descriptive design was employed where both qualitative and quantitative methods were used in the study. Non-probability sampling technique was used and the targeted sample size of 35 respondents were drawn out of the 42 total population of the contract administration and construction supervision department and other participants from other functional departments. The data was collected by means of questionnaires and semi-structured interviews and analyzed using descriptive statistical techniques and SPSS package version 25 was used to process the data analysis. The research findings indicate that most of the water construction projects of OWMEB are not completed in conformity to their original plan, i.e. they usually sustain delay, termination, cost overrun or quality problems, which were emanated from poor contract administration specifically lack of contract administration plan, poor monitoring of the contract implementation, and lack and/or poor inspection of deliverables. This report recommends OWMEB to oversight the contracts critically to keep the projects on track and monitor the results constantly and to recruit more experienced and qualified staff with sufficient quantity for its contract management function.*

**Key words:** Project, contract, administration, performance, contract administration, project performance,

## CHAPTER ONE: INTRODUCTION

### 1.1. Background of the study

An improved project performance play a key role in the economic, social and political affairs of a country. A well-managed project performance also play a significant role for cost effectiveness, time saving and improved quality. To the contrary, a project which is not well managed and performed will incur cost, consume much time and ends up with lower quality project, having an adverse effect on the development of a country. Contract administration is one critical function to the successful delivery of projects. A poor or lack of contract administration plan and inadequate monitoring or follow up of contract implementation leads to cost overruns, schedule delays, poor quality, unacceptable results and ultimately to failure or termination of projects as well. On the other hand, poor inspection of deliverables can as well follows under quality deliverables that eventually have adverse impact on the economy of the country.

In the world of business, an organization commonly managed to participate contractors/suppliers in order to provide service or product and to meet its intended requirements (Kumar and Markeset, 2007). One of the main duty for the operating company is to make sure that contractors perform their duties safely and timely following appropriate contract management (CM) procedures (Hotteebex, 2013). Nowadays, globalization and related force of changes within firm's supply base have significantly increased the number of business relationships that firm's manage. The complexities in the business relations in the changing globe requires careful management of the project. Thus, while working exhaustively on sourcing projects with current potential and future suppliers, the firms have to make sure that the resulting relationships are contractually enforced and implemented. This actions helps to ensure the achievement of the project objectives.

Organizations can be evaluated in terms of their performance on the project. On the one hand, organizations having established and mature contract management processes are able to generate a great deal in additional savings and have a distinct competitive advantage over their competitors ( cited in Nguyen, 2013). On the other hand, inefficient administration of contracts will lead to poor operational control, low customer satisfaction, high risks and unwanted costs (cited in Nguyen, 2013). In this regard, Hotterbeekx (2013) developed a maturity model for contract

management functions that include, relationship management, performance management and risk management.

According to the findings of recent international surveys conducted by supply and demand chain executives on the complexities and risks of project contracts, there exists a significant loss of money due to ineffective management of project contracts. Prosidian Consulting (2011), for instance, research firm Aberdeen Group, advocated that enterprises lose US\$153 billion each year due to ineffective project contract management. Furthermore, Green Point Global (2013) reveal that 60-80% of business transactions are governed by agreements or contracts and more than 10% of all executed contracts are lost.

In this vein, contract administration play a key role in the project performance at all levels of project life cycle. Taking this into account, this project work assessed the role of procurement contract administration on project performance at Oromia Water, Mineral and Energy Bureau, Oromia National Regional State (ONRS), Ethiopia.

Although there are a lot of other variables which can influence the project performance, this study focused on some of the contract administration activities as contract administration plan, close monitoring of the contract implementation and inspection of deliverables which have direct influence on performance outcome of the project deliverables.

## 1.2. Statement of the Problem

Studying past experience, specialists have become aware that inadequate administration of the contract of programs and projects was often at the heart of repeated problems and failures. Specialists noted that in the absence of appropriate contract administration, organizations can face problems of lower quality, time overrun, cost overrun, and bad relationship with contractors/suppliers that would result in unacceptable results.

As evidences reveals, in Oromia WMEB, issues related to contract administration plan, problem of timely monitoring, and absence of in-depth inspection are serious issues, contributing to the underperformance and lower quality of the projects. In addition, as the sources such as unpublished written reports from the Oromia water, mineral and energy bureau indicates, projects faced problems such as poor quality, delays, cost overrun, and poor performance that follows failure and termination of projects. For example, on the one hand, as the performance assessment report of

the year 2017 of OWMEB's reveals, the Bureau had planned to construct 11,670 water construction projects and only 7,254(%62.2) of the projects were completed and the remaining were encountered with different problems such as termination, and extension of time. On the other hand, this report elaborated that there was a quality and delay problems with those completed projects themselves. The report disclose that the main cause of the problem is lack/poor monitoring of the projects.

The declared goals of project management are to ensure that organizations invest in the optimal project portfolios and help them realize business value by delivering projects on time and within budget (PMI, 2004). Problems mentioned in the above paragraphs of this section are common expressions and sufficient indicators for the lack of robust contract administration processes and practices. The specific causes for the problem associated to project performance include, poor planning, poor monitoring, and poor inspection. Of course, contract management remains to be a widely researched topics in project related disciplines. For example, CIPS (2006) and Aberdeen Group (2006) are at the forefront of guiding professionals to manage project contracts in order to help their companies meet their contractual obligations through contract administration, delivery and relationship management in order to optimize resources yet meeting project deadlines.

However, Projects are needed to be completed within the timeframe, budgeted cost and required quality. However, unfortunately many projects take longer time to complete, cost more than reasonable capital and often ended up with poor quality of the deliverables. This serious problem involving time, capital and quality particularly holds true for Ethiopia in general and Oromia NRS in particular. The prevailing problem related to the project performance will have effect on the socio economic and political economy of the country. However, despite significant research progress, the role of contract administration on the project performance in Ethiopia in general and in Oromia NRS in particular has not been well tracked and published. The reason why this study is being undertaken is to assess the role of contract administration on the performance of projects at OWMEB taking into consideration three key variables: contract administration planning, performance monitoring and inspection of deliverable and come up with recommendations to improve performance of projects through effective contract administration.

### 1.3. Research Questions

Based on the stated problems that have set the context of this study, general and specific research questions were drawn to guide the data gathering and analysis of this research. This generally seeks address the question; what is the roles of contract administration on the performance of projects? Specifically, this study addresses the following research questions;

1. How a contract administration plan is used to administer the contract implementation?
2. How timely monitoring is used as a mechanism to improve time, cost and quality?
3. How inspection of deliverables can contribute to the stated quality of deliverables?

### 1.4. Objectives of the Study

This study entails the following general and specific objectives. The study is generally aimed to assess the role of contract administration on the performance of projects.

Particularly, the specific objectives of this study are:

1. To assess the contract administration planning practices and its role on managing the contracts ;
2. To assess the contribution of timely monitoring of contract implementation for the performance/success of projects;
3. To assess the inspection practice and its contribution to get the intended deliverables ,

### 1.5. Significance of the Study

First, the findings of this research will help enlighten procurement and contract administration agents who are supposed to critically monitor contract administration during project execution (contract life-cycle). They could use the result of this study to mitigate risks associated with poor contract administration.

Second, the findings of the study can help contract administration professionals to recognize contract administration planning activities and acquire more insights as regards to monitoring contractor's/supplier's performances across all procurement contract key performance indicators.

Third, the expected finding will also assist to understand the extent to which the inspection of deliverables can contribute to the intended quality and suggested the way forward to better

administration of project contracts. Indeed, the conclusions and recommendations that was drawn from this study can help the organizations to improve their contract administration systems.

### 1.6. Scope of the Study

The Oromia NRS is structured in 20 Zones and 330 *woredas* (OBoFED); which totally consists of around 51 sector bureaus, commissions and agencies, etc. at regional level. Though it is valuable to explain the existing contract administration practices and all factors that may obstruct the achievements of sectors down to zones, *woredas* and *kebeles* executing projects in the region, this study was delimited to the selected Oromia Water, Mineral and Energy Bureau (regional level) only and from the other variables that can affect the project performance, this study limited to the study of contract administration. The project performance could also seen from different perspectives but this study is limited to the client side only.

### 1.7. Limitations of the Study

This study had limitations which were related to:

- Access to active document data of the contract information and which need be held confidential.
- There are only a few researches done on contract administration in Ethiopia whereas no any research was done on the subject in Oromia National Regional State, hence the research only reviewed these few thesis done on the subject.

### 1.8. Organization of the Research Report

This study is organized into five chapters. Chapter one has presented the introduction and background to the study which covers background information, statement of the research problems, research questions, research objectives, significance of the study, limitations and delimitations of the study as well as organization of the report. Chapter two is the presentation of review of literatures both theoretical and empirical. This chapter also presents conceptual framework to help researcher to clarify the research questions and objectives. Chapter three presents the research methodology including the study area, research design, and population under the study, sample size and sampling techniques, data collection methods, data processing and data analysis. Chapter four is where the findings from questionnaires and interviews are analyzed and discussed. This chapter also comprehensively interpret the findings. Finally, chapter five gives conclusion and recommendations from the results of findings.



## 1.9. Definition of terms

**Contract:** Hutchison et al. (2009) defined a contract as an agreement entered into voluntarily by two or more parties with an intention to create legally enforceable obligation(s).

**Contract administration:** “Contract administration” is a term used to describe the functions that are performed after the parties have signed the contract (Sherman, 1996).

**Procurement:** Van Weele (2006) defines procurement as obtaining from external sources all goods, services, capabilities and knowledge which are necessary for running, maintaining and managing the company’s primary and supporting activities at the most favorable conditions.

**Project:** Projects differ from types of work. PMI (2004) defines project as a temporary endeavor undertaken to produce a unique product, service or result.

**Project Contracts:** These are contracts for construction, manufacturing and/or installation of equipment’s. These contracts are characterized by having a defined start date and end date, having a defined end result to be achieved and involving a number of planned and interrelated activities (PMI, 2004).

**Project performance:** According to business dictionary, Performance is the accomplishment of a given task measured against present known standards of accuracy, completeness, cost, and speed.

**Deliverables** -A deliverable is any unique and verifiable product, result or capability to perform a service that is required to be produced to complete a process, phase, or project. Deliverables are typically tangible components completed to meet the project objectives and can include elements of the project management plan (PMI, 2013).

**A milestone-** is a significant point or event in a project.

**Constraints-** A limiting factor that affects the execution of a project or process. (PMI, 2013)

**Inspection-** in an activities such as measuring, examining, and validating to determine whether work and deliverables meet requirements and product acceptance criteria.

**Project Success-**since projects are temporary in nature, the success of the project should be measured in terms of completing the project within the constraints of scope, time, cost, quality, resources, and risk as approved between the project managers and senior management (PMI, 2013).

**Lessons learned documentation-** is includes the documentation of the root cause analysis of issues faced, reasoning behind the corrective action chosen, and other types of lessons learned about the process.

## CHAPTER TWO: LITERATURE REVIEW

The chapter aims to discuss the role of contract administration for the performance of the project and related issues. To this ends, the chapter reviews different related theories, concepts and empirical literature. These theories, concepts and empirical literature help the researcher both to understand and properly answered the stated questions and objectives of this research.

### 2.1. Theoretical Review

This study draws on several conceptual frameworks. Each of them with their own shortcoming can help understand and interpret the role of contract administration on the management of the project and its performance. They are discussed as follows:

#### 2.1.1 Contract Administration

Contract administration is a term used to describe the functions that are performed after the parties have signed the contract (Sherman, 1996). As a precise term, contract administration refers to those activities that take place after contract award and can encompass a plethora of activities ranging from routine to unusual. Typical contract administration activities are goal oriented, aimed at ensuring enforcement of the contract terms and conditions while giving attention to the achievement of the stated output and outcome of the contract. In other words, contract administration is about much more than simply the enforcement of the contract language. It requires the contract manager to remain focused on the program goals and objectives.

The contractual goal, or end, of the procurement of any good or service should be successful project completion (Davison and Wright, 2004). Successful project completion is defined by NIGP as successful procurement of the right item, in the right quantity, for the right price, at the right time, with the right quality, known as the 5 “R’s” (Thai, 2004). To complete a project successfully, contractual goals should be established to accomplish each of the “5 R’s”. (NIGP, 2000).

### 2.1.2 General Contract Administration Processes

General contract administration process comprises eight steps. These processes and steps are enumerated as follows.

**(I) Planning:** According to Contract Management Handbook (Jan, 2017), planning for contract administration should be simultaneous with drafting of the statement of work for the solicitation. Procedures for contract administration should be described in the solicitation. At the same time, the Institution should appoint, coordinate and schedule resources for the contract administration team that will assist the contract manager with performance of contract administration procedures. To properly plan for contract administration, the program staff must thoroughly understand all of the components of the solicitation and the contract. Examples include:

- Proposed contract outcomes and related performance measures.
- Scheduling for deliverables, if applicable.
- Links between the payment schedule and significant deliverables.
- Total contract cost, including any indirect cost allocation for the goods/services to be provided under the SOW.
- Identification and management of potential contract risks.
- When, where, and how the contract is to be performed, including delivery of goods/services.
- Institution's right to inspect and accept or reject the goods/services, as well as any conditions related to acceptance or rejection.
- Effective date, completion date, contract term extension options, and other dates applicable to contract performance.
- Contractor's contact information for correspondence, payment and notice (including address, email, telephone and fax and other contact information).

**(II) Performance Monitoring:** Performance monitoring is a key function of proper contract administration that helps the Institution (1) confirm that contractor/supplier is performing all of its duties and obligations in accordance with the terms of the contract, and (2) identify and address any developing problems or issues. Contract monitoring may be viewed as: a preventive function, an opportunity to determine contractor's need for technical assistance; and a valuable source for information concerning the effectiveness and quality of goods/services being provided. Performance monitoring tools should be specified in the solicitation and included in the contract.

Reporting and testing are examples of contract monitoring tools. Institutions may not be able to enforce reporting or testing requirements that are not adequately documented in the contract.

### **(III) Contract Reporting Obligations**

Contract reporting obligations include (1) contractor reports to the Institution contract administrator, (2) Institution contract administrator reports to executive management, and (3) Institution reports to other state agencies. There are generally three report types: Status Reports, Activity Reports, and Vendor Performance Reports. All serve useful functions.

### **(IV) Invoices and Payments**

**Invoices:** - submitted by contractor/supplier must comply with the contract rate schedule. Invoices should be reviewed to ensure that contractor's invoices correspond with contractor's progress on the work. Contractor's progress should be measurable because cost incurred or invoices submitted, in and of themselves, are insufficient indicators of contractor's progress.

Prior to payment, invoices must be approved by program staff familiar with the work and the current status of the work. If the contract manager believes that the invoice exceeds contractor's progress, the contract manager should request and receive contractor's explanation prior to approval of the invoice for payment. Payment should be withheld pending the Institution's approval of contractor's progress.

**Payments:** - Payments must be made in accordance with Applicable Laws,

### **(V) Change Management Process**

During the term of the contract it may be necessary to amend the contract. Possible modifications include changes to notice addresses, pricing or delivery schedule.

There are two types of amendments. A bilateral amendment requires the agreement of all parties to amend the contract. A unilateral amendment requires only the agreement of one party to amend the contract. Terms and conditions in the original contract may specify when a bilateral (agreement of all parties) or a unilateral (agreement of one party) amendment is required. The Institution should implement an effective change management process. Failure to manage and control contract changes can result in unintentional modification of the SOW, extension of the schedule,

increase in contract cost, circumvention of management controls or decrease of contractor accountability.

#### **(VI). Dispute Resolution Process**

Appropriate dispute resolution is an essential contract management skill. Early identification of issues, effective communication with contractor, and providing contractor with written notice of issues raised by the Institution (including a formal request to cure or a less formal written process) is crucial.

The goal of the dispute resolution process is to resolve contract issues through direct negotiation of Institution and contractor representatives, before the issues need third party resolution. To avoid escalation of contract issues and to ensure the Institution does not alienate contractor representatives, it is imperative that Institution personnel respond promptly to all contractor inquiries. Initial steps to be taken are: 1. Identify the Issue. Many times what appears to be an issue can be resolved before the issue becomes a problem by providing contractor with information or clarification. 2. Research Facts. When investigating contract issues, the Institution should obtain as much factual information as possible from as many relevant sources as possible, including the project manager and contractor. 3. Evaluation. Reviewing all of the factual information and the contract requirements. After discussing with all decision makers, the client should determine an appropriate course of action.

#### **(VII) Termination**

Contract termination should be the last resort and should be rare. Contract termination reflects a failure by all parties to the contract. When the contract terms permit termination, the parties are no longer obligated to continue performance of their duties and obligations under the contract. Depending on the specific contract terms, parties may terminate without cause (Termination for Convenience), with cause (Termination for Default) or for force majeure.

#### **(VIII) Contract Closeout**

A contract is completed when all goods/services have been received and accepted; all reports have been delivered and accepted; all administrative actions have been accomplished; all Institution-furnished equipment and material have been returned; and final payment has been made to contractor.

The contract close-out process is usually a simple but detailed administrative procedure. Purposes of the close-out process include (1) verification that all parties to the contract have fulfilled their contractual duties and obligations and there are no remaining unperformed duties or obligations; and (2) assessment of the success of the contract and lessons learned for use in future contracting

### 2.1.3 The Project Contract Life Cycle

Every project, goes through a series of identifiable phases, wherein it is ‘born’, it matures, it carries through to old age and it ‘expires’. According to Hillson D., (2009), contract management must be carried out throughout the entire project life in different stages to achieve the intended project objectives. He also argues that there is no universally accepted definition of a project lifecycle and different books and standards use different terminologies to divide the life of a project into different phases.

According to Cristian et al (2009) the construction contract goes through two main phases, which are the establishment of the contract and the implementation of the contract. The establishment of the contract includes bidding and contract negotiation and the implementation phase is from signing of the contract till the end of the contract. The bid period, which is the initial period of the construction contract, is from the preparation of the bid document to the bid opening. Contract negotiation starts when the tender is made and ends when the contract is signed. In this stage, the owner and contractor discuss the future of the contract and how they plan to complete it and finally sign the contract after reviewing all the provisions carefully. During the contract implementation phase, contractors complete construction work according to contract agreement.

Generally project contracts, take a long period of time, sometimes even years and have many processes. Therefore, effective and efficient contract management must be carried out throughout the entire project life period as contract management has different priorities and tasks. According to Costa et.al (2009), most open tender project contracts go through two main phases: contract establishment and the contract implementation phase. Contract establishment phase has two processes. These are tendering and contract negotiations. The contract implementation phase has also has two phases. These are the execution and the maintenance.

## **Contract Establishment**

**(i) The Tendering Period:** The tendering or bidding period is from preparation of tender documents to tender opening. This is the initial offer and acceptance between the owner and the supplier.

**(ii) Contract Negotiations:** This process starts when tender is made and ends when the project contract is signed by both parties. This second stage of contract establishment can further be divided in to two stages, namely; the initial evaluation of tenders and the discussion about the future of the contract.

(a) The initial evaluation of the different tenders including disqualifying unqualified tenders followed by a comparative analysis among the suppliers who offer competitive prices and have technical capability to construct the project and finally choose the best supplier.

(b) Discussion between the project owner and the supplier about the future of the contract as well as about project completion and finally the signing of the contract by both parties.

**Contract Implementation:** This is the period from signing the contract to the contract end. In this lapse, all procurement and engineering works such as installation and commissioning need to be completed. Suppliers must complete the engineering works and take responsibility of the warranty with reference to quality, quantity, schedule and technical specifications written in the contract or functional requirement specifications, or bill of quantity.

### **2.1.4 Essential features of valid contract**

At the low level, according to Humphries Associates (2004) for a contract to be valid it must have the following features among others at its low level;

**The Offer:** The offer must be communicated and can be canceled at any time before acceptance. It is important to note that the offer is different from an invitation to treat which is where a party communicates that it is prepared to enter negotiations with a view to forming a contract.

**Acceptance:** The acceptance must be communicated. This must be of the offer made otherwise it could be a counter-offer. There is a rule that if the acceptance is mailed, it occurs on the date posted else if acceptance is by phone, fax, or email, it occurs when received.



**Capacity to Contract:** This refers to the power of a natural person to enter into a contract. In it imperative to note that the following parties do not have the capacity to enter a contract;

- (a) Minors- people under 18 years of age except for necessary requirements like food
- (b) Persons under illegal drugs such as heroine or alcohol
- (c) Persons of unsound mind.

**Consideration:** A contract is not valid without consideration; that is, “quid pro quo” or something given for something received. In this case, the project contract must clearly state what is being exchanged between the parties as consideration. Consideration must be ‘valuable’. Something must be supplied in return for the promise made by the offer or, for example, money. Consideration must not be unlawful or gratuitous. It must also not be something already done or suffered (past consideration).

**Intention:** The parties must intend to be bound by the contract. Therefore, it is important to make sure that accurately and clearly terms and conditions express the intention of all parties. It is essential to remember that there should be a "meeting of the minds."

**Legality:** Legality of a contract refers to an implied warranty that an act, agreement, or contract strictly abides to the statutes of a particular jurisdiction. Since contracts require parties to agree to standard terms and conditions it is vital to make sure all parties read the fine print so that they understand what they are signing up to.

**Enforceability:** Despite having all of the essential elements, a contract might still not be enforceable because of some other issue(s), these include among others, lack of capacity of one of the parties (for example if one of the parties is a minor), where a mistake is made about the nature of the contract, where there has been misrepresentation of a particular fact(s) inducing a person to enter into the contract, where a contract is illegal or is effected by pressure or undue influence of one party over another.

## 2.1.5. Terms and Conditions of Contract

### 2.1.5.1 Conditions of Contract

The conditions of a contract are rules by which the execution of the contract is to be governed. They set out the responsibilities, rights, and liabilities of the two parties. They also set out the actions to be taken by the parties if and when certain eventualities should arise. The general conditions of contract, 2006, prepared by the Public Procurement Agency (PPA) has two components.

The first is a standard form of general conditions of contract appropriate to the natures of the work involved. The intention is that a common approach by the parties to all contracts will be achieved and standard interpretations of risks and responsibilities involved. It is intended for general use where tenderers are invited on an international basis, but it also suitable to domestic contracts. The objective is to provide a standardized document which is well-known, internationally recognized and accepted, an adequately reflects the interests of the parties concerned. The standard (general) forms of conditions of contract usually cover the general aspects in arranged clauses. Most of the standard forms of conditions of contract contain one or more clauses, which require completion by the client before the conditions are issued.

The second is a special condition of contract, which deal with matters peculiar to the contract and not dealt with by the standard. Special condition of contracts is new clauses to augment the general conditions of a standard form. Usually they deal with subjects not touched on by the standard form. It is often simpler to introduce a special condition than to amend a standard form condition. After a new clause is written, it must be ensure that no conflict or ambiguity is being introduced. The range of possible subjects for special conditions is large. They normally deal with the peculiarities of one contract and one site. The decision to consider a special condition does not depend on importance.

### 2.1.5.2 Terms of Contract

A contract is good if it caters for the interests of the organization. Precisely, it should entail what the organization wants to obtain, avoid and gives options if things go wrong, it should be clear, it should be void of false promises, and it should contain mechanisms for dispute resolution and termination. The following are the basic terms and conditions for a good contract.

**Parties:** The "parties" are the persons who enter into a legal arrangement. They may be living or "legal persons" such as a corporation. Thus, all parties to the contract must be clearly identified. For this case, a supplier and a client should be clearly mentioned.

**Preamble:** This is a foreword of the scope of work or service to be performed or rendered.

**Definitions:** This part defines all terms to be used in the contract. Usually "Annex/Appendix A" is used for agreement definitions. It encompasses definitions of agreement documents, fee, services, penalty fee, purchase order, service agreement, and service levels, among others.

**Scope of Agreement:** This describes the work to be performed or the services to be rendered. It describes tasks, direct procedures to be adopted and spells out the period of performance. The agreed goods or services should be described in detail so that a reasonable person can identify the goods or understand the types of services that are to be performed. The quantity of goods must be stated also.

**Term:** This part spells out the conditions to be fulfilled for the agreement to come in to force and effect, for example after dully signed by all parties. It also spells out the duration of the contract unless terminated on an earlier dates in accordance with the agreement.

**Fees, terms of payment, invoicing, penalty fees and taxes:** This part states the fee and currency to be used together with the validity of the fees. It also spells out about the payment and invoicing terms such as overdue payments and penalty fee, as well as taxes, dues and levies.

**Procedures for Purchase Ordering:** This speaks about conditions for the client to place POs, ways for sending the POs and suppliers' acknowledgement of PO receipt.

**General responsibilities of Supplier and client:** This is for supplier and client to fulfill obligations set in the terms and conditions; this includes collaboration and appointment of suitable personnel, information flow, among others.

**Warranty:** Especially for goods supplied, warranty should be granted to remedy the deficiency in the events or extent where supplied goods have not performed in accordance with the agreement.

**Termination:** This part states the rights and conditions for either party to terminate the agreement. A contract comes to an end when all the responsibilities and obligations under the contract are no longer required. A contract may end by the following;

(a) **Performance-** This is the most usual way and there must be complete and exact performance by the parties involved.

(b) **Agreement-** Both parties agree to end the contract early therefore they are free from any legal obligations. (c) **Frustration** – When it has been deemed impossible to complete the contract due to unforeseen circumstances. (d) **Breach of Contract** – When a condition has been broken by one of the parties.

**Force Majeure:** This excuses parties for act(s) that are outside performing party's reasonable control against non-performance, defective or late performance when performing their duties. These acts often include, but not limited to, acts of terrorism, strikes and other labor disputes, fire, explosions, floods, earthquakes, typhoons, epidemics, wars (whether declared or undeclared), government acts (including failure to act) (de jure or de facto), riots, revolutions, sabotage or severe weather conditions which the Party claiming excuse could not have reasonably foreseen the effects of or made alternative arrangements for.

**Indemnity, Exculpatory, Hold Harmless, and Waiver Clauses:** These clauses attempt to transfer liability for certain act(s) or omissions to one of the parties.

**Limitation of Liability:** This states limitations of liabilities of parties; except in cases of intent or gross negligence, neither party shall be liable to the other party in connection with the agreement for any indirect or consequential damages, that is loss of production, loss of business, loss of revenue and loss of goodwill.

**Trademark and Publicity:** A trademark acts as an assurance or guarantee of the quality and origin of a specific good. A competing supplier must not use another company's trademark, this is because the owner of a trademark may challenge any use of the mark that infringes upon his rights. Also, neither party shall advertise or publish any information related to the agreement without the prior approval of the other party.

**Code of conduct:** This is for supplier and its' staff working for client to abide by the client's code of conduct, "the Code".

**Subcontracting:** This article is for limiting supplier not to, without client's prior approval, subcontracts its undertakings to other third parties.

**Notices:** This part spells out the addresses for sending notices from one party to another party as well as the rights to change the addresses. This part also addresses the language to be used when sending notices.

**Settlement of disputes:** This article of the agreement tells how and where controversies are resolved.

**Severability and modification of the agreement:** This clause states that the terms and conditions of the contract are independent of one another; if a term in the contract is deemed unenforceable by a court, the contract will not be considered unenforceable. This clause actually insists that no modification, amendment or other change may be made to the agreement or any part thereof unless reduced to writing and executed by authorized representatives of both parties.

**Originals of the Agreement:** This clause states number of original copies of the agreement. For example, two copies of the original documents of which the parties have taken one (1) each. It also contains the signatures of those executed the contract.

**Appendices:** Last but not least is the appendices (if any) of the agreement; this may include among others, appendix for agreement definitions, appendix for scope of work, appendix for fee and penalty fee, appendix for specifications and technical requirements, and appendix for warranty.

### 2.1.6. Remedies for Breach of Contract

According to Roythornes Solicitors (2012), the remedies common for breach of contract are;

- (i.) Damages – Here, a monetary compensation is awarded to the injured party. The appropriate measure of damage under the reliance principle is the amount necessary to satisfy the reliance interest.
- (ii.) It is the sum necessary to put the plaintiff in the position he would have been in if he had not entered the contract.
- (iii.) Specific Performance- This is a non-monetary remedy which grants the plaintiff what he actually bargained for in the contract rather than damages for not receiving it. It is an equitable rather than legal remedy and is granted only by court.

Rescind the contract- When one party to the contract breaches the contract, the injured party may rescind the contract. In general, rescission of the contract is accompanied by a suit for damages.

Rescinding a contract means dissolving and putting the parties in the position they were in before entering into the agreement.

### 2.1.7. Contract as a project risk management tool

As mentioned earlier in the literatures that, ineffective control and management of supply contracts costs business a lump of US dollars per year (Prosidian Consulting, 2011). As a corner stone to any business transaction, when effectively used, contracts can be of great importance in managing project risks. Before driving to risk management it is important to understand the project contract risks and why there risks arise. Very often, the following are the contract related project risks:

#### **(a) Lack of Transparency between Parties**

This is fundamental problem which is caused when one party is reluctant to provide important information, unskilled personnel to oversee the contract commitments or inadequate system to generate the required information.

#### **(b) Lack of Recognition of the Importance of Contract Management**

Lack of recognition that contract is the foundation of project management, by either party, is another source of project contract risks.

#### **(c) Failure to act on Supplier Underperformance**

This is when supplier fail to achieve the desired and agreed goals and the client fail to act accordingly. This includes poor quality of works and non-adherence to service levels, among others.

#### **(d) Failure to provide contract deliverables on time, to agreed quality standards**

As projects are bound to time and scope, late delivery and poor specifications are may be termed as another source of project risks.

#### **(e) Failure to comply with all contract provisions**

Compliance to contract terms and conditions is of the greatest importance for successful project delivery. For example, failure to adhere to privacy, security, warranty, recordkeeping, among others increases the likelihood of project risks.

#### **(f) Fraud and/or inefficient conduct by the supplier**

Despite increasing awareness of risks that are embedded in the supply chain, inefficient conduct and use of false representations to gain unfair advantage by supplier is another source of project risks. To manage project risks from beginning to end whilst ensuring all obligations, milestones and compliance requirements, contracts can be treated as sources of information rather than texts or images. This is by streamlining contract creation from standard clauses and tracking changes and eventually managing risks.

#### **2.1.8. The Project Management Triangle**

Commonly known as “The Scope or Iron Triangle” is the triangle showing five constraints that operate in every project irrespective of project environments, namely; scope, quality, cost, time, and resources (Wysocki, 2009). These constraints are very important for the success or failure of projects and thus form mutually dependent set; that is, a change in one constraint can require a change in another constraint in order to restore the equilibrium of the project.

**Scope:** This is a statement that defines the boundaries of the project. It may also be referred to as a document of understanding or a scoping statement or a project initiation document or a project request form. By whatever name called, this document is the foundation for all project work to follow. Beginning a project on the right foot is essential, the same as staying on the right foot.

**Quality:** Wysocki (2009) mentioned two basic types of quality as part of every project. The first is product quality; the quality of the deliverable from the project. And the second is process quality; the quality of the project management process itself. The focus is on how the project management process works in intercultural environments and how can it be improved. Constant quality improvement and process quality management are tools to measure process quality.

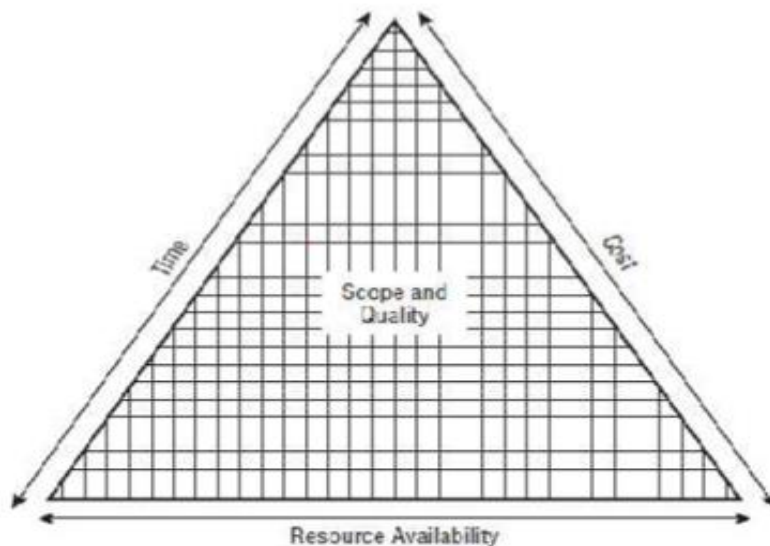
**Cost:** Another variable that defines the project is the dollar cost of doing the project. It is best thought of as the budget that has been established for the project. This is specifically important for projects that create deliverables that are sold either commercially or to an external customer. Cost is a major consideration throughout the project management life cycle.

**Time:** The client/vendor specifies a time frame or deadline date within which the project must be completed. To a certain extent, cost and time are inversely related to one another. Time is an interesting resource; it can't be stocked or inventoried. Whether you use it or not, it is consumed.

Once a project has begun the primary resource available to the project manager to keep projects on schedule or get it back on schedule is time.

**Resources:** Resources are assets such as man power, equipment, facilities, or inventory that have limited availabilities. Resources can be scheduled or can be leased from an outside source. Some are fixed and others are variable. Certainly, they are critical to the scheduling of project activities and the orderly completion of the project

Figure 2.1: The Project Management Triangle



Source: Wysocki (2009)

#### 2.1.9. Kraljic Model and Supplier Relationship Matrix

Gelderman and Van Weele (2003) deployed Kraljic matrix model to manage supplier relationship. The model would assist organizations to know which suppliers are important, where should the organization focus their effort, are the organizations going to cultivate similar relationships across all supply base. This model has customer profile as horizontal axis, and supplier's strategic potential as the other axis.

Customer profile refers supplier's perception on you. This depends on how large the supplier is. For example, \$ 30,000 spent with local supplier brings more influence than the same amount going to Microsoft. Strategically, client is not advised to invest significant effort in promoting desperate supplier whose is simply not interested and whose attitude is unlike to change.



On the other hand, supplier strategic potential refers to supplier contribution to client business improvement. The Kraljic Matrix/Model creates four combinations of relationships, namely; control, leverage, rethink and strategic as depicted in figure 2.2.

**(a) Control**

Here client has low profile with supplier in whom the client does not see strategic potential. This can be alternatively termed ‘business as usual’; the items or services purchased from that supplier may be important, but it does mean there is little point in developing a deeper supplier relationship. In this case, clients do not need to stress strong terms and conditions in their agreements with suppliers, they just have to ensure they obtain the best available deal and that deliverables are met using standard purchasing techniques using standard terms and conditions.

**(b) Leverage**

This quadrant combines a low supplier strategic potential with a high client profile, meaning that client has, potentially, a one-sided relationship with the supplier; that is, the client matters a lot to the supplier, but do not see much benefits in developing strategic potential with them. This is the area of some profit as the suppliers have good perception of us which reflects a potential risk on supplier part, therefore, there is a great demand to consider and reduce contract risks from these suppliers as the client is taking an excessively high proportion of their turnover.

**(c) Rethink**

Here the client has a low profile with the supplier with whom the client thinks there could be strategic potential with regard to his projects. The biggest problem is that the client is not sure that he has supplier’s attention. In this tricky area clients have three options;

- (i.) Raising profile by increasing spend on project deliverables;
- (ii.) Marketing more actively to the suppliers through other means. This might include changing old contract negotiating habits;
- (iii) Switching to suppliers with whom clients would have a higher profile.

#### (d) Strategic

This quadrant is clearly the area of greatest potential in that clients have suppliers to whom they matter the most, and who clients believe offer them the potential to deliver their projects efficiently and effectively. This part demands very high attention where effort and resources should be targeted. The contracts should be structured to manage relationship which is to be integrated into both organizations.

Figure 2.2: Kraljic Model and Supplier Relationship Matrix



Source: Gelderman and Van Weele (2003)

## 2.2. Theoretical Perspectives

Before driving in to the empirical discussions, it is important to situate the argument within a theoretical context for they guide the study and it is from these theories that the researcher will be able to address the role of procurement contract administration in the performance of project management. While theories provide the foundation for the study by giving the reader what he/she needs to know in order to interpret and understand the results and how those results are arrived at, concepts serve as justifying choices, which give theoretical background of the choices made during the course of this work. The followings are theories related to the issue at hand.

### 2.2.1 Contract Compliance Theory

Contract compliance theory is the act of conforming to contract agreements between buyers and sellers. Generally the purchasing function is held responsible for all reasons of non-compliance. According Aberdeen Group (2006) compliance may be internal or external. Internal compliance can be interpreted as either conforming to the rules in the agreement by purchasing organization such as payment terms and minimum order requirements or in purchasing from agreement only, that is, purchasing by using framework agreements for the entire company (Telgen, 2004).

According to Aberdeen Group (2006) the use of framework agreements for the entire company can assist maintaining high contract compliance and reduction in purchasing costs. This can in turn increase the probability of project success. As far as the projects as concerned, external contract compliance can take up several forms including unavailability of products, services or qualified personnel, charging prices different from the contracted prices, or late delivery or delivering products that do not meet the contracted specifications.

### 2.2.2 Contract Management Theory

Contract management theory can be interpreted as category management, contract administration and contracting processes (Knoester, 2005). While category management is about managing the contracting processes initiation, contract management is addressed by Knoester (2005) who speaks of contract management as the management of the engagement administration of all term agreements by which means a contract is closed. He stressed that this is the contract management process for ensuring that the right information is in the right place at the right time, to support the whole of the contracting process. In project disciplines, this can be achieved by distributing contract information to all primary project stakeholders to determine an optimal supply base.

The contracting process is the third interpretation of contract management and is where contract realization is managed. This process is connected to both the category management process and the contract administration process. Contracting processes are initiated by category management and are from there supported by the contract administration process. This administration process is necessary during the whole contracting process in order to assure quality, efficiency and effectiveness (Angelov, 2005).

### 2.2.3 The Will Theory

The basis of contract is the meeting of the minds of the parties (that is the will of the parties). Hutchison et al., (2009) narrated that if one party is in fault as regard to one of the important elements of the agreement there is no real agreement. The result is neither party is bound nor each party may reclaim whatever it has performed. This theory maintains that commitments in project contracts are enforceable because the promisor has "willed" or chosen to be bound by his or her commitment(s). Classical theories of contract protect the will of the parties, because the will is something naturally worthy of respect; the use of force against a defaulting promisor in project contracts is ethically justified.

## 2.3. Empirical Studies

### 2.3.1 General literature

Several initiatives have been taken by procurement and contract management practitioners to ensure that contracts are delivered within agreed time, cost and quality. In attempt to understand the major causes of project failures, Amponsah (2012) conducted a research among Ghanaian companies and found that one of the major reasons for project failures is the poor contract implementation and management. In their research on procurement processes and performance conducted in Uganda, Kakwezi and Nyeko (2010) advocated that to ensure purchasing performance quality of procured goods and services as well as timely delivery should not be ignored as they are directly linked to terms and conditions of the project contracts. To stress the importance of project contract administration, the international survey conducted by Aberdeen group among 36 companies in the world found that ineffective control and management of supply contracts costs business \$ 153 billion per year (Prosidian Consulting, 2011).

The increasing recognition of improving contractual processes has enforced Elsey (2007) to address the importance of contract management by addressing the critical success factors for successful contract management namely; on-time delivery, value for money, cooperation and responsiveness, fulfillment of one's obligations, no controversies as well as proper change management. These factors are indeed critical for effective project management where projects are bound by scope, quality, cost, time and resources irrespective of project type and environment (Wysocki, 2009). To emphasize the role of contract management, the Republic of South Africa's

national Treasury (2010) conducted a research for enhancing service delivery and suggested that when a contract is effectively managed it has the capacity to increase revenue opportunities, decrease costs and enhance service delivery.

The role of contract administration on project performance is also seen in where TQM and JIT philosophies are adopted to ensure on time delivery for good quality deliverables and meeting deadlines. This is in agreement with Guiffrida and Nagi (2004) who conducted their study in Cost Characterization of Supply Chain Performance in New York and found that contract management is essential for JIT effective project environments. In emphasizing on robust contract management, Garcia (2012) conducted a research at the European Journal of Legal Studies where he strongly insisted on the need to secure enforcement of penalty clauses in international commercial contracts. This would help all actors in the supply chain have quality goods and services as well as ensure on time delivery of goods.

In attempt to make contracts alive and healthy, Jukka (2003) described three processes for implementation of contract management, namely; to establish the basic contract management operation such as competent contract personnel, defining proactive alarms for contracts and templates, the second step is to make the contract alive that is being part of the business such as deeper involvement of stakeholders, and finally, the third is the strategic step of contract management. Although this can take time to implement but once implemented can be a corner stone to project management.

### 2.3.2 Literature Specific to Ethiopia

A number of researchers of contract management have addressed the role of contract management. Although shortage of written sources are apparent at the country level in general and Oromia regional state in particular, attempts are made to review some related empirical evidences. In the discussion below, thus, the researcher briefly review the literature, depict their shortcomings and finally develop a conceptual framework that guide the current research.

The first case study that was taken as an empirical framework is a case study conducted by Addis Mesfin (2014) on Ethiopian Building Construction Projects under the title “The Study of Construction Contract Risk Management Practices in Ethiopian Building Construction Projects”. Questionnaire survey was performed on different randomly selected building construction

companies in Ethiopia to observe their awareness and how they deal with risks in their projects. The research finding indicated that Poor contract management was found to be one of the major causes of risk which has a high probability of occurrence and a high level of impact on project objectives. It was also observed that most building constructions in Ethiopia are not completed in conformity to their original plan, i.e. they usually sustain delay, cost overrun or quality problems. The study forwarded recommendations on the need of special attention on managing Financial and Contractual areas of risk since they were identified as most important risks in Ethiopian building construction projects.

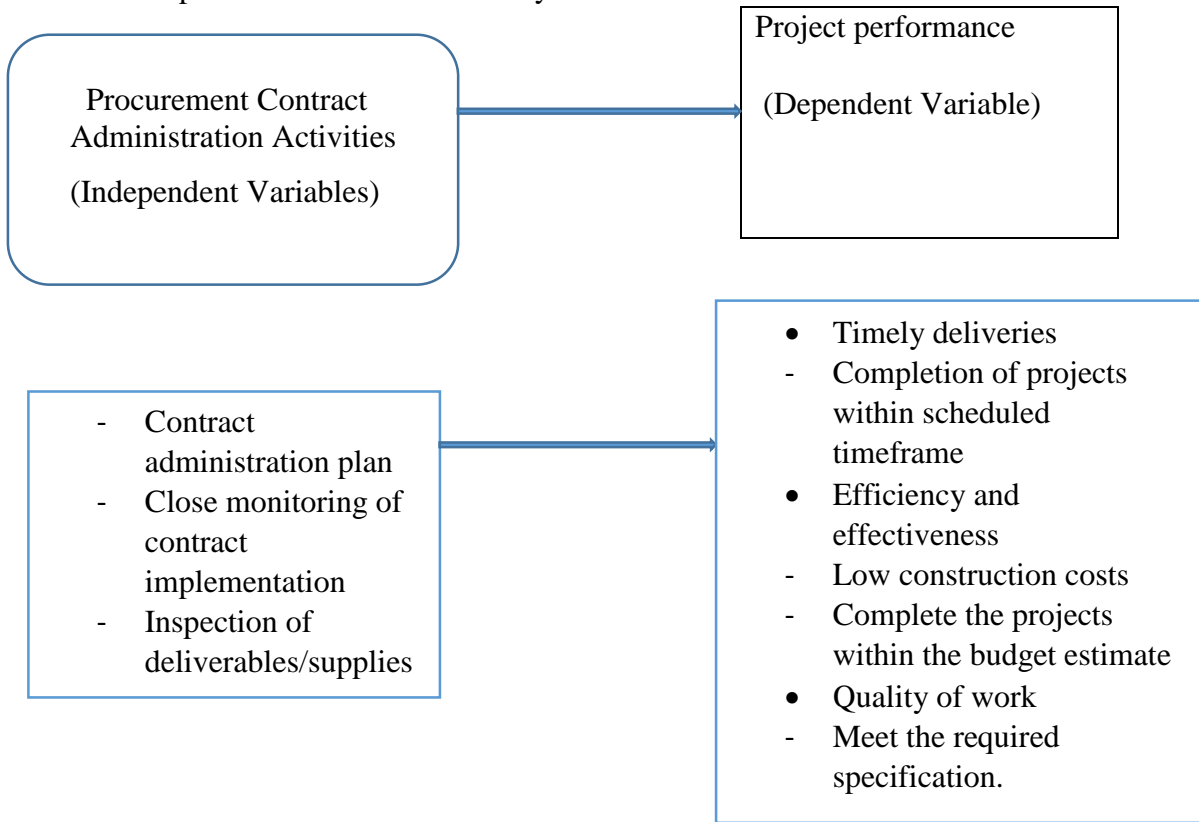
Another case study was conducted by Tigist Belachew (2016) on Addis Ababa Light Railway under the title “Assessment on the practices of Project Contract Administration”. The methodology was designed as interview and focus group discussion and descriptive analysis were made. The research finding indicated that the project contract administration have implications on the project success. The study forwarded recommendations on the need of having a well-established contract is as good as having a good fence which leads to a smooth relationship with the stakeholders i.e. having a clear contract demarcation (specifications of instructions) first which later on leads to success with a proper follow up and monitoring.

The body of literature discussed above fail to address some crucial issues related to contract administration. Despite attracting great attention from practitioners, academicians and researchers, the role of contract administration on the project performance specifically at Oromia Regional State level has not been addressed. Moreover, the studies are smoothly practicable in developed countries where technologies are high and level of bureaucracy is low for practicing TQM and JIT philosophies with the aim to ensure quality inputs and zero lead time. This study assesses the role of contract administration on the project performance at Oromia Water, Mineral and Energy Bureau in order to optimize the existing as well as adding value to upcoming projects.

Drawing on the context at hand, the researcher develops a conceptual framework to lead her studied throughout the phases of the research, mainly the analysis. According to Smyth (2004), the conceptual framework is structured from a set of broad ideas and theories that help a researcher properly identify the problems, frame research questions and find relevant literatures. It assists the researcher to clarify his/her research question and objectives as well as in data collection and analysis. The Conceptual framework also provides relationships between concepts and the

research questions (Fisher, 2010). The following figure (Fig 2.3), being developed by a researcher, demonstrate the conceptual framework of this study.

Figure 2.3 Conceptual framework of the study.



Source: Compiled by the researcher

While the dependent variable of this study is the project performance/success, independent variables used to control the dependent variable are contract administration planning, closely monitoring of contracts implementation, and inspection of deliverables/supplies. It can, from figure 2.3 be said that project success(performing within the agreed time, cost and quality)depends on procurement contract administration which in turn depends on contract administration planning, closely monitoring of contract implementation as well as inspection of deliverables/supplies.

## CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

### 3.1 Introduction

This chapter describes research methods which were used to address objectives of the study. It contains the following areas; area of the study, research design, population under the study, sample size and sampling techniques, data collection, data processing and data analysis with the aim of assessing the role of procurement contract administration in Oromia Water, Mineral and Energy Bureau's project environments.

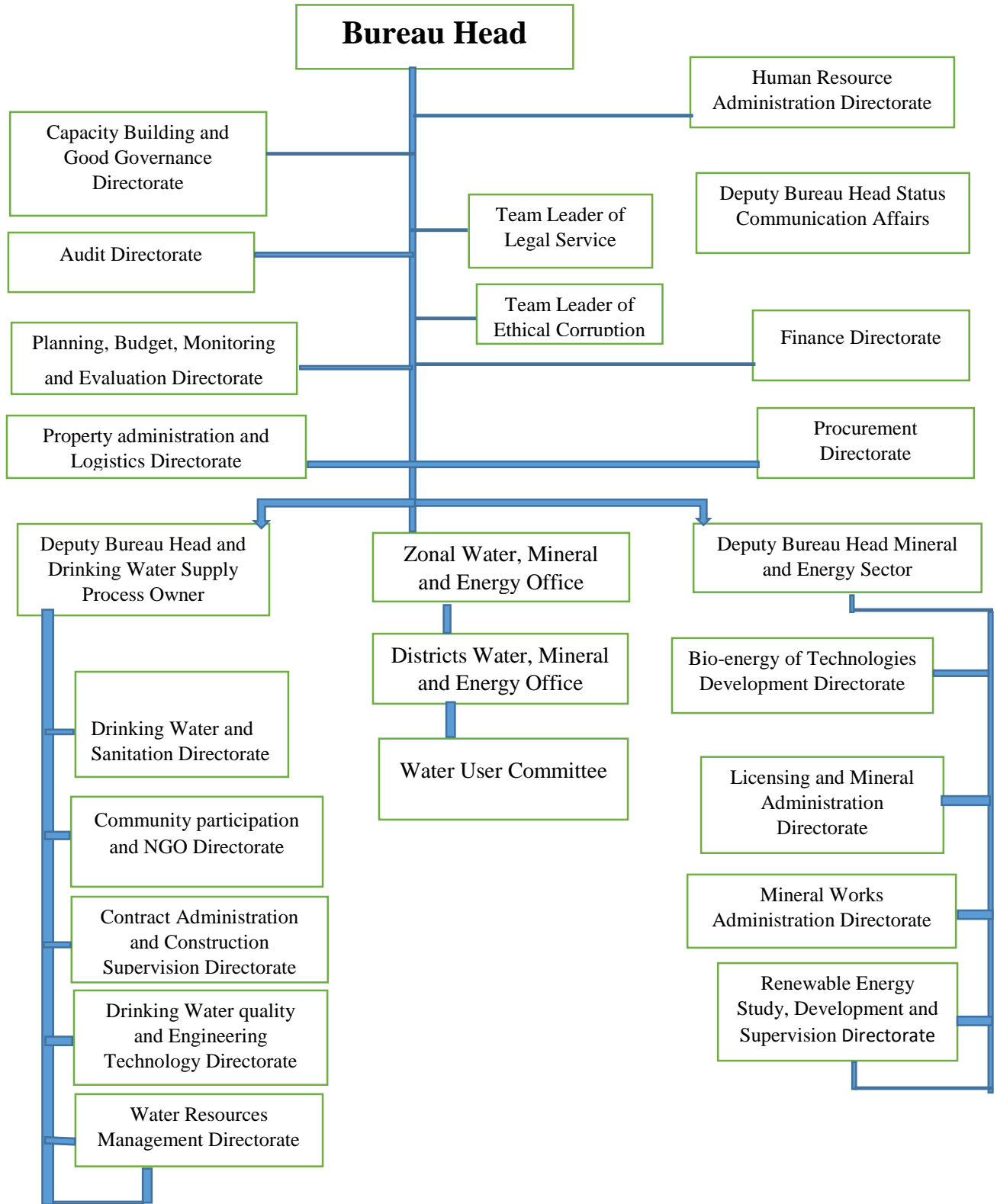
### 3.2 Area of the Study

OWMEB traces its establishment back to the 1992 G.C. However, there has been the restructuring of this organization at different times. In 1999, for example, the bureau were split into two bodies: Oromia Mineral and Energy Agency (OMEA) and Oromia Bureau of Water Resource (OBWR). Drawing on the proclamation (No. 162/2003), the two bodies were merged together as OWMEB. This bureau has center at Addis Ababa (Finfinne), located at Bole sub city. This central bureau provides water related services to the zones and districts found in the Oromia regional state.

The following **figure 3.1** demonstrates the organizational structure of the bureau.



Figure 3.1: ORGANIZATIONAL STRUCTURE OF OWMEB



Source: OWMEB

Oromia water, mineral and energy bureau was established to undertake the management and development of water, mineral and energy resources of the Oromia region. Particularly its main objective is providing sustainable pure drinking water to the society. Therefore, the bureau is undertaking the construction of rural and urban drinking water projects. The projects are of different size from medium to complex. Its financial source is both from the government treasury and aids from NGOs. Eradicating the water problem of the people is a sensitive issue as the water agenda is related with life “water if life”. And the construction work of water project is also sensitive that needs great care and attention.

### 3.3. Population of the Study

The population of this study was all members of Contract Administration and Construction Supervision department and other inspection committee members from functional departments of OWMEB. A total of **42** employees were involved in this study as a population.

### 3.4. Research Design

According to Kothari (2004), a research design is the arrangement of conditions for the collection of data and its analysis. He further illustrates that the function of research design is to serve as a frame to collect relevant evidence with minimal costs with respect to time and money. It constitutes the blueprint for collection, measurement and analysis of data. In this study, since the focus of the study is the description of the situation as it exists at present, a descriptive research design was employed and both qualitative and quantitative data were used.

#### 3.4.1. Sampling Design

When we want to collect data on a population, there are different techniques to go about. In some cases, it is possible to measure the entire population to get an accurate picture of the population at hand (the exhaustive survey). In some cases, however, sub-group of the population is made feasible. This sub-group is called “sample”, which can be chosen following probabilistic or non-probabilistic sampling techniques.

#### 3.4.2. Sample Size

The sample is simply a subset of a population. According to Mugenda and Mugenda (2003), researcher may use 50 percent of the target population to represent the characteristics of the entire population. For the sake of this study, from the **42** population size, a sample size of **35** employees

were drawn; this sample included all **30** employees from Contract Administration and Construction Supervision department and other **5** employees from other functional departments who are assigned in addition to their regular duty to inspect the deliverables because of their technical expertise and the selected sample **35** participants were those who directly engaged on the administration of contracts whereas the unselected sample from the population were those who are member or workers of the department but not directly engaged on the administration process( they are drivers, sanitation workers, secretaries). This is because of easy accessibility and they are the ones which get involved in managing the contract performance throughout the contract period.

### 3.4.3 Sampling Techniques

Commonly, two methods exist for selecting a sample. The first is probability sampling and the other is non-probability sampling method. In this research, only non-probability sampling was applied in order to select research respondents. Purposive non-probabilistic sampling was used because a limited number of individuals possess the trait of researcher's interest. According to William (2005), purposive method is used to allow the researcher to get information from a sample of the population that one knows most about the subject matter. In this study, "total population" purposive sampling was employed to obtain the appropriate respondents and examine the entire population of Contract Administration and Construction Supervision department. The "expert" purposive sampling was adopted to gather data from individuals that have specialized knowledge from other departments. The total population is chosen because the size of the population that have particular set of traits that a researcher believe was interest in was small.

## 3.5. Methods of data collection

### 3.5.1. Sources of data

There are several ways of collecting the appropriate data which differ considerably in context of costs, time and other resources at the disposal of the researcher (Kothari, 2004). In this study, the researcher collect data from both primary and secondary sources. Data from both primary and secondary sources are crosschecked and triangulated to enhance the validity of the research. The primary data were gathered from Oromia Water, Mineral and Energy Bureau's Contract Administration and Construction Supervision staff while the secondary data were referred from relevant books, contract documents, research papers, internet sources and other unpublished materials. The views and opinions of the respondents of this organization were collected, coded, described and thematically analyzed.

### 3.5.2. Data collection instruments

A combination of data collection instruments will be employed in this research. When this research involves the opinions or experiences of individuals, interview method of data collection was used widely. In addition, the researcher also used questionnaires as an instrument for data collection. The significance of these instruments and how the researcher use them are elaborated as follows:

#### **Questionnaires**

Questionnaires are general term that include all techniques of data collection in which each person is asked to respond to the same set of questions in a predetermined order (Saunders, 2009). In this study, questionnaires are both open and close-ended which is prepared and distributed to get responses from experts of CACS department, other technicians and engineers and the officials of the Oromia WMEB. The questionnaire had three sections. The first section consisted of questions about the general profile of the respondent. The second section was comprised of questions to assess the general issues about the staffing and capacity building of the department and about the information management system. In the third and final section questions that were believed to assess the contract administration practices were asked. Both close and open ended questions were asked in the questionnaire. The close ended questions had a number of choices of possible answers with provision for respondents to provide their comments was used and the respondents selected whatever they feel was most appropriate and gave their comments on the space provided. The closed ended questions were selected because they are easier to assess and answer considering how busy the respondents were. Open ended questions were used only in few places where the response options were relatively wide and not known and respondents used this part to express their ideas.

The researcher adopts this method of data collection because large amount of information were collected in a short period of time and in a relatively cost effective way and also easily kept anonymous.

## **Interviews**

Interview is a systematic way of conversing and listening to people to collect data on various issues. (<http://www.who.int>). Oral interviews were administered with experts of CACS department, the CACS department's process owner and the inspection committee members. Semi-structured guiding questions were prepared by researcher to guide the interview. In this method, the knowledge views and opinions of the respondents on the role of contract administration on project performance was elicited. This method guarantee a good return rate, and it provide a more detailed information. In this study, the researcher take notes, coded the obtained data, described the data and analyzed the data thematically.

### **3.6. Methods of Data Analysis**

In this study, descriptive statistical techniques were employed for the analysis of data obtained from both the primary and secondary sources. The data were coded according to the questionnaire so that can be entered and processed in the SPSS package. Simple statistical tools like percentage, tables, charts and frequencies were used in the analysis and presentation of quantitative data. With regard to the data gathered through interview, the researcher recorded the interview's voice, take notes, codes the obtained data, described the data and analyzed the data thematically.

More importantly, the data gathered through both quantitative and qualitative method were triangulated for enhancing the validity.

### **3.7 Reliability and Validity of Data**

According to Khotari (2004), validity refers to the extent to which a test measures what we actually wish to measure. Reliability has to do with the accuracy and precision of a measurement procedure. Reliability refers to the extent to which the data collection techniques or analysis procedures will yield consistent findings, while validity is concerned with whether the findings are really about what they appear to be about (Saunders et al, 200).

To ensure validity of the data, the researcher used purposive sampling to ensure that research instruments were only administered to individuals who are involved in contract administration process. Researcher ensured case company data base information was from authoritative personnel.

In order to achieve reliability of data, in addition to the 5-likert scale, space for respondent's comments on the particular variables were provided to get respondents understanding on the matter. The respondents' responses from same department were checked for consistency on some of the questions they responded. Interview was used to crosscheck data collected through questionnaire. To avoid error in coding, two people were used, one reading and other entering in the SPSS software. The reliability of the study data was tested using SPSS to calculate the Cronbach's alpha coefficient of internal consistency of the variables which were used in the questionnaire. The variables have more than 0.70 coefficient of reliability. The coefficient of reliability gives the true score percentage of the associated particular variable which can be driven from a composite score of the items in that variable.

## CHAPTER FOUR: FINDINGS AND DISCUSSION

### 4.1 Introduction

This chapter attempted to present the findings and discussion on the assessment of the role of contract administration on the project performance specifically by assessing the role of contract administration plan, timely monitoring of contract implementation and inspection of deliverables on the project performance.

The data were gathered through interviews and questionnaires from thirty five (33) respondents out of which twenty eight (28) responded to questionnaires and five (5) responded to interview questions. The findings are presented as general findings and those as per study objectives.

### 4.2 Background information of the respondents

These findings are closely related to those findings specific to the study. They are presented to support specific objectives of the study.

#### 4.2.1 Respondents Experience with OWMEB procurement and contract administration department.

The researcher wanted to know how long have respondents worked in Contract Administration and Construction Supervision Department at OWMEB. The following table depicts the respondent's view. This question was specific to procurement and contract administration Department staff: Table 4.1: Respondent's experience in OWMEB's CACS Department

		Frequency	Percent
Valid	0-5 years	15	53.6
	6-10 years	9	32.1
	>10 years	4	14.3
	Total	28	100.0

Further analysis was carried out in relation to the number of years the respondents had worked with the contract administration to establish whether the respondents were knowledgeable enough to contract administration. Table 4.1 above show that the majority of the respondents had worked with the OWMEB's CACS department. From the total respondents 15 respondents (53.6% of respondents) have worked between 0 to 5 years, 9 respondents (32.1 % of respondents) have worked between 6 to 10 years, while 4 respondents (14.3 % of respondents) had worked for more

than 10 years respectively. This shows that data was collected from experienced people with enough information in relation to contract administration at this organization.

The findings advocate that greater percentage (about 75 percent) of respondents is well experienced with OWMEB’s CACS Department (i.e. 3 years and above) and therefore are able to give accurate information. This is in accord with many scholars who narrated that in the real world there is no perfect substitute for experience; the more you have the better. Respondents are, therefore, assumed to have sufficient knowledge to respond accurately to the questionnaires and interviews.

#### 4.2.2 Educational Level of the respondents

The study sought to establish the education level of the respondents in relation to their ability to interpret and understand the administered questionnaires for reliable findings. Results in Table 4:2 below indicate that the majority of the respondents 14 (50%) out of 28 respondents were bachelor degree holders, 13 (46.4%) were master’s degree holders while only 1 (3.6%) of the respondent had Diploma. Hence the respondents could easily interpret the research instruments for reliable findings.

Table 4.2 Educational qualification of respondents

		Frequency	Percent	Cumulative Percent
Valid	MA/MSc	13	46.4	46.4
	BA/BSC	14	50.0	96.4
	Diploma	1	3.6	100.0
	Total	28	100.0	

#### 4.3. The main findings of the Study specific to the study objectives

To recall, the study objectives are specifically to assess the contract administration planning practices and its role on managing the contracts, to assess the inspection practice and its contribution to get the intended deliverables, and to assess the contribution of timely monitoring of contract implementation for the performance/success of projects at OWMEB.

The findings of the study are presented as per specific objectives as follows;



### 4.3.1 Contract administration planning practices and its role on managing the contracts

The first objective of the study starts from plan. Assessing the contract administration plan preparation practices and its importance on the managing contract implementation.

#### 4.3.1.1 Importance of the contract administration plan

The development of a contract administration plan is essential to ensure that a contract is properly monitored. It should make sure that all organization's personnel have a common understanding of both the contractor/supplier and organization's respective obligations. It is a cursory view of planned and completed activities, and can be utilized throughout the term of the contract as a status report. In this regard, the researcher raised a question on how the respondents see the importance of the contract administration plan in relation to its contribution to administer the contract in a way that it can assist the success of the project. Table 4.3 presents the findings in the context of the study objectives.

**Table 4.3 Importance of contract administration plan**

	Frequency	Percent	Cumulative Percent
Valid Yes	28	100.0	100.0

As demonstrated in table 4.3, all the respondents (100%) agreed with the importance of contract administration plan for the management of any project. This observation reminds a local saying that goes: *nama karoora hinqabneef bishaan bo'oo hinqabne gara jallisanitti jallata* (Literally, a person who has no plan and a water that does not have a ditch turn into the direction one turn them to go). This implies planning serves as a pillar upon which other perusing activities rely on.

#### 4.3.1.2 Preparation of the contract administration plan

Organizations need to have contract administration plan that can give them direction, having all the necessary information about what to administer, how to administer, and when to administer. It should also detail the methods that the organization will use to monitor the contractor/supplier and the individuals or offices that will be responsible for the monitoring. The plan should also consider that intense monitoring during the implementation phase of a new contract will likely benefit both the client and contractor/supplier. The plan can be simple or complex, but its content

should be dependent on the complexity of the contracted service, the value of the contract, and the risk to the organization of poor performance.

The researcher administered questionnaire with the respondents in order to identify whether there exists a trend on formulating contract administration plan at CACS staff and about its content. The respondents view is presented in the table 4.4 below:

Table 4.4 preparation of contract administration plan

		Frequency	Percent	Cumulative Percent
Valid	Yes	24	85.7	85.7
	No	4	14.3	100.0
Total		28	100.0	

The result shown in the table 4.4 depicts that majority of the respondents 24 (85.7% of respondents) responded that there is a preparation of contract administration plan at CACS department. The remaining four respondents (14.3% of respondents) replied as if there is no preparation of the contract administration plan at this department. As the data obtained through interview with contract administration expert shows, a “general plan” for contract administration do exists at Oromia regional state bureau level. Yet specific plan to follow up a certain contractor lacks. Given also that each project has its own unique character, the absence of specific work plan for each of them implies a “plan reductionist view.”

The lack of contract administration plan can result in gaps in the monitoring process of the project. In this line, the research participants mentioned that the monitoring of various projects draw on very arbitrary action rather than a plan ahead of time. This in turn, affect the well monitoring of the undertaken project. Yet some experiences of contract plan preparation has been observed.

#### 4.3.1.3 Contract administration plan preparation stage/time

The respondents asked about the contract administration plan preparation stage or time and their responses were depicted on figure 4.1 below:

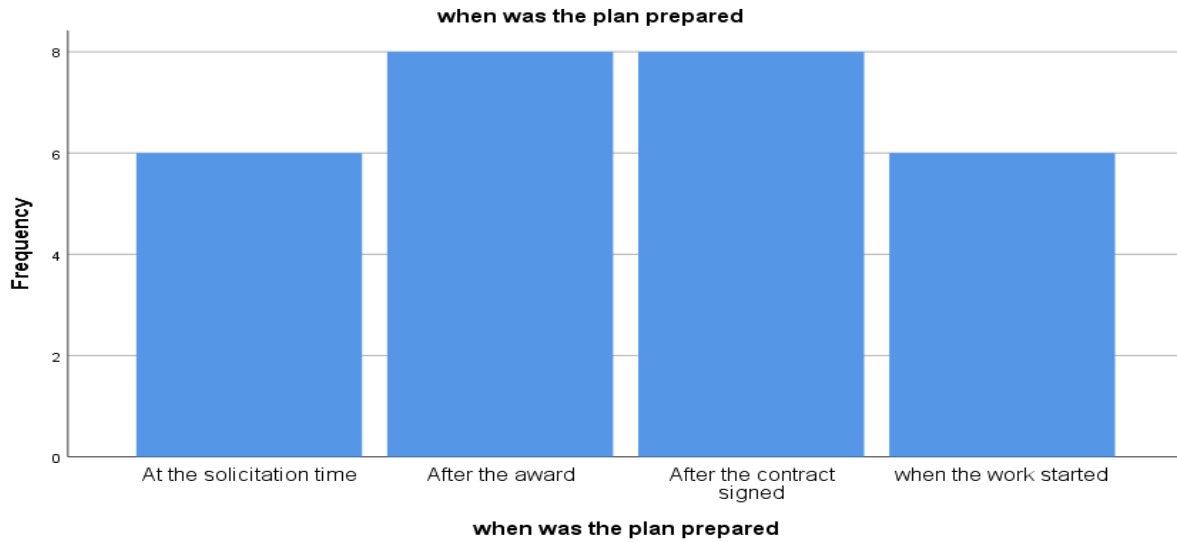


Figure 4.1 preparation time of the contract administration plan

This chart above shows that there is no consistence time for preparing the plan for contract administration. The plan can be prepared at different stages of the contract management. Of all the total respondents, 8 (28.6%) of the respondents replied that the plan is prepared after the award is given and the contract is signed. Whereas 6 (21.4% of respondents) filled out that it is prepared at the solicitation time and 6 (21.4% of the respondents) relied that the plan is prepared at the stage when the work starts. From this observation a number of points can be drawn. According to the available literature, the plan preparation need to begin with the date that the solicitation is fixed. Practically, according to the interview that a researcher conducted with the contract administrator of the OWME bureau, in case the plan was prepared for administering the contract, it would be done after the grant of the awards to the contractor. It seems that the real context somehow contradicts with this conventional literature.

Drawing on the contradictions between the gathered data (context) and available literature, a researcher argues in favor the former for a number of reasons. The researcher's argument emanates from the practice that the making of the plan after the award can benefit both the client and the contractor. This is because it allows them for more negotiation and understanding each other on the issue at hand. Obviously, the in-between solicitation and award phase is commonly known as negotiation phase or actions. This negotiation can help the contractor to let him know the detailed description outlined in the bid document and to understand the interest of her client, on the one hand. In case she finds statements to be amended, being feeling that it will hinder the work, the

contractor brings the issue into the negotiation forum. On the other hand, it can also help the client to understand and negotiate on the condition that the contractor set for the work.

#### 4.3.1.4 The importance of contract administration function for project delivery

Generally speaking, the well-functioning of the contract administration supports in the course of any project administration. To prove this claim, respondents were asked to give their opinion on the significance of contract administration function. The findings are, thus, presented in the table 4.5 below;

Table 4.5 Importance of contract administration function on project delivery

		Frequency	Percent	Cumulative Percent
Valid	moderately important	2	7.1	7.1
	Important	6	21.4	28.6
	very important	20	71.4	100.0
	Total	28	100.0	

From table above (4.5), one can observe that majority of the respondents (71.4 % of respondents) recognized contract administration as a very important function for the project delivery. Furthermore, six (6) respondents (21.4% of respondents) recognized contract administration as important. The remaining 2 (7.1% of respondents) took contract administration as moderately important. Moreover, by supporting the views of the majority of the respondents, the data acquired through interview reveal the paramount role that contract administration play for the project delivery. These findings, hence, justify that contract management function is of exceeding importance at OWMEB.

#### 4.3.1.5 Role and responsibility of contract administration managers and officers

Respondents were asked to give their opinion, whether the role and responsibility of the contract administration managers and officers were identified or not. The respondents' responses are shown in the table 4.6 below:

Table 4.6 Role and responsibility of contract administration managers and officers.

		Frequency	Percent	Cumulative Percent
Valid	Yes	20	71.4	71.4
	No	4	14.3	85.7
	I don't know	4	14.3	100.0
	Total	28	100.0	

From the table 4.6 above, one can infer the respondents' opinion regarding the identification of the role and responsibilities of the contract administration managers and officers. Of all the total number of the respondents 20 (71.4% of respondents) replied that the role and responsibility is already identified, while 4 (14.3% of respondents) responded that there is no clearly identified role and responsibility assigned to them. The remaining 4 (41.3% of respondents) had no idea about the issue on discussion. As the interview the researcher conducted with the head of the contract administration directorate reveal, although shortage of human power in leadership and at expertise level are prevalent, the role and responsibility of those individuals at work are clearly known. Yet, as he said, because of the work overloads at the zonal and *woreda* levels, these managers and experts are not able to properly cover the sites where they are assigned to manage the ongoing activities of the project.

#### 4.3.1.6 Respondents view on the staffing of the procurement and contract administration's department.

Due to sensitivity of the contract administration function, researcher wanted to know if the function is properly staffed and if not the way forward to empower this crucial function and respondents were asked to give their opinion on the staffing of the department. The findings are presented in the table 4.7.

Table 4.7: Staffing of the CACS department

		Frequency	Percent	Cumulative Percent
Valid	Yes	6	21.4	21.4
	No	19	67.9	89.3
	Don't know	3	10.7	100.0
	Total	28	100.0	

As per table 4.7 above, of all the respondents 6 (21.4% of respondents) were in opinion that CACS staff are adequate while 19 (67.9% of respondents) were in opposing view that the department has staff inadequacy and 3(10.7% of respondents) had no idea regarding this question. The results from table 4.7 disclose that there is no staff adequacy at OWMEB’s CACS department.

Analysis indicates that there is staffing inadequacy at OWMEB’s CACS department. The interview result that conducted with the head of CACS department also supports this result. He said that in relation to the size of the region and the volume of work that is undertaken by this department, there high inadequacy of the staffing. That is the human power need of the department and the organization as a whole is not fulfilled by the needed quantity and quality. This might be the cause of poor contract administration since the staffing is a backbone or motor for any organization. It facilitates the realization of the company’s objectives for the future and determines appropriate means for achieving those objectives. This is consistent with general view that efficiency and productivity of organization depends heavily on effective recruitment and maintaining proper staffing levels (Skuturna, 2006).

#### 4.3.2 The contribution of contract implementation monitoring for the project performance

Timely contract monitoring is used to ensure that a vendor adequately performs a contracted goods/services. After the organization offers contracts to thee vendor, the organization remains responsible to ensure that the work is performed satisfactorily or as per the agreed terms, mainly time and financial capital. The intense monitoring will give the vendor a clear understanding of the client’s expectations, and it will “set the tone” for the relationship between the two entities.

To recall context of this research, the second objective of this research is specifically to determine if monitoring of procurement contracts implementation contributes for the project performance at OWMEB. The following table demonstrate the role of monitoring for project performance.

Table 4.8 Respondents opinion on the role of contract monitoring on performance of project:

		Frequency	Percent	Cumulative Percent
Valid	N	2	7.1	7.1
	A	12	42.9	50.0
	SA	14	50.0	100.0
	Total	28	100.0	

From table 4.8 above, one can say that 14 respondents (50 % of respondents) strongly agree that close monitoring of the contract implementation contributes to the project performance. In addition, 12 respondents (42.9 % of respondents) fill out that they agree with the contribution of the project monitoring for project administration, while 2 (7.1% of respondents) neither agree nor disagree on the issue. As this table demonstrates, none of the respondents replied as strongly disagree or disagree on the raised the question.

While few research participants indicated that they have no idea about contribution of close monitoring of procurement contracts for project performance, majority (92.9%) of respondents agreed (strongly and strongly) that close monitoring of procurement contracts has contribution for the project performance. These results infer that close monitoring of contract implementation highly contribute to the success or performance of the project. Indeed, it is a key function for the proper contract administration that helps the organization. Also, it confirms that contractor is performing all if its duties and obligations in accordance with the terms of the contract. Moreover, it helps to identify and address any developing issues. Furthermore, it helps for a preventive function; an opportunity to determine contractor's need for technical assistance; and a valuable source for information concerning the effectiveness and quality of goods/services being provided. This findings are consistent with Hinton (2003) who asserted that close monitoring of project contracts ensures that vendors adequately perform their respective contracted works or services.

#### 4.3.2.1 Respondent's view on the performance of projects

In contract administration, the focus is on obtaining supplies and services, of requisite quality, on time, and within budget. While the legal requirements of the contract are determinative of the proper course of action of government officials in administering a contract, the exercise of skill and judgment is often required in order to protect effectively the public interest.

The researcher wanted to know about the trends of OWMEB's projects performance, as it might be the cause of poor contract administration. The respondents replied as depicted in figure 4.2 below.

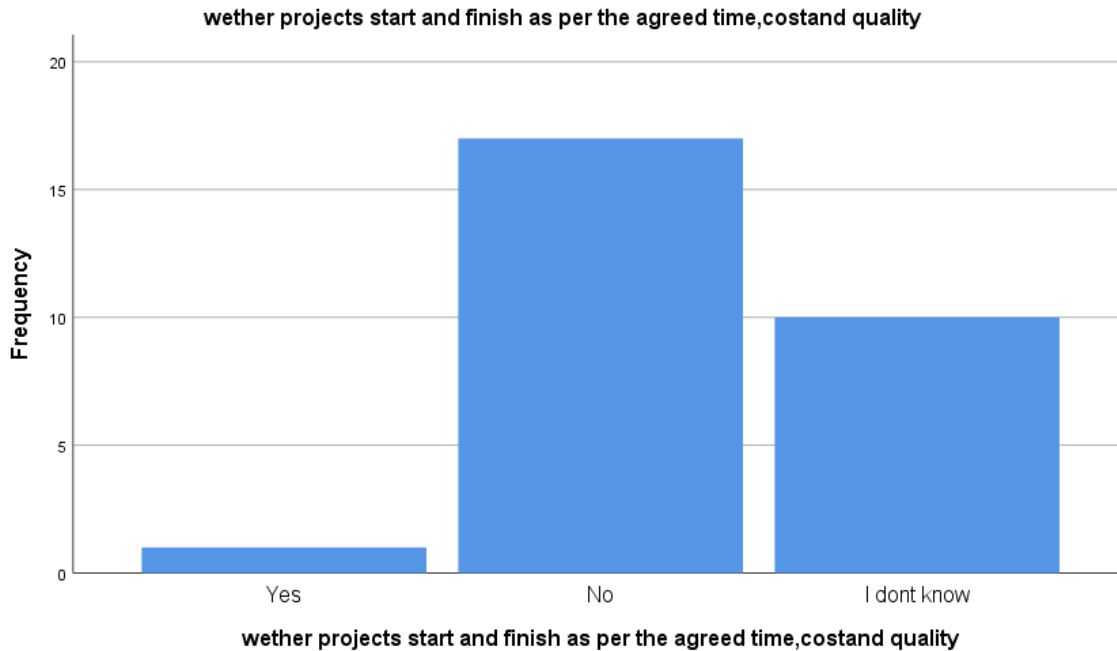


Figure 4.2 OWMEB's project accomplishment trend

When a project is performed as per the set time, cost and quality, it can avoid the suffer of time and cost overrun as well as quality problem, that have positive contribution on the economy of the country. From the questionnaire survey of this research, it was discovered most of the respondents were replied that the projects were not completed as per the agreed time, cost and quality. Figure 4.2, above shows the responses of the respondents when they were asked if projects were completed as per the planned time, cost and quality. Among all the respondents 17 (60.7%) responded that projects were not completed as per the planned target, only 1 (3.6%) of the respondents said projects completed as per the original plan while 10 (35.7%) of the respondents had no idea regarding this question.

This shows that projects were not completed within the time frame, approved budget and to the agreed quality. That creates problem of time and cost overrun and poor or unsatisfactory quality. Respondents also expressed that most of the time projects encountered problems of delays, poor performance, wrong products/services, risk of termination/failure, scope change. As the interviewee mentioned greater percent of the projects undertaken by this organization were faced termination. This emanates from different reasons such as poor monitoring of the project, lack of commitment of the contractor, the contractor selection system of the organization, bad behavior of the contractors. All the interviewees elaborated this issues that there is no close monitoring of the



projects by the OWMEB. The organization use the bidding document of the World Bank that considers the list price bid selection method, then the contractors participate on the bidding processes by coating the list price to be selected and get the award of the construction without seeing the work site and calculating the cost of the construction in relation to the remoteness of the area. After then, when they get into the agreement and mobilized to the work place, they fail to continue the work by fearing the remoteness of the area and making the cost benefit analysis in relation to the areas distant from the urban especially on the cases of transporting the construction materials to site.

#### 4.3.2.2 Separate body to follow up the contract

The researcher asked how the follow up of contract implementation is undertaken at the OWMEB. The respondents were let to reply whether there exist any assignment of the responsible body to follow up the contract. The respondents responded to the question as shown in the table 4.9 below;

Table 4.9 Separate body to follow up the performance

		Frequency	Percent	Cumulative Percent
Valid	Yes	20	71.4	71.4
	No	6	21.4	92.9
	I don't know	2	7.1	100.0
	Total	28	100.0	

As shown from table 4.9 regarding the assignment of the body who can follow up the implementation of the contract the respondents responded as of the total population 20 (71.4% of respondents) replied that there is separate responsible body to follow up the contract implementation while 6 (21.4% of respondents) give their opinion that there is no any responsible body to follow up the implementation and 2 (7.1% of respondents) had no idea about the case. In addition the respondents asked about the methods of monitoring that the organization used and they replied that they use monitoring methods those elaborated as follows;

Site Visit –As the interview the researcher conducted with the contract administration expert reveal, contracts that have high budget outlay and are complex or have a high degree of risk may require visits to contractor’s facilities. Site visits may be used to verify that contractor’s performance complies with the contract schedule and other contract requirements (for example,

dedication of sufficient resources and appropriately qualified personnel to performance of the work). Site visits help emphasize to contractor the importance the Institution places on the contract. Site visits also provide enhanced communication between the Institution and contractor.

Review of reports submitted by the contractor/supplier: - It should include the comparison of contractor's actual performance against contract requirements to confirm contractor is performing in accordance with the contract requirements ,comparison of contractor's actual expenditures to the organization-approved budget to confirm contractor is complying with the approved budget, Comparison of relationships between key components of the reports such as cost per unit of goods/services against percentage of fees charged to the contract, change in variable costs for each unit of goods/services, and reported salaries against the contract staffing plan.

Expenditure Document Review – An expenditure document review includes analysis of contractor invoices (including fees for goods/services and expenses) to determine, if the fee rates and expenditure items are permitted under the terms of the contract, and if the supporting documentation (including cost reports, third party receipts for expenses, and detailed client information) adequately support the invoice. If contractor consistently provides improper invoices or supporting documentation is insufficient to support the invoices, consider implementing additional monitoring such as site visits.

As the result of the respondents' opinion shows and the interview conducted with one of the expert appointed to follow up the performance being a committee member discloses, OWMEB uses site visits for projects with high budget outlay, high complex and high risk. But most of the projects were followed or monitored through review of reports submitted by the contractor/supplier because of the earlier mentioned human power problem.

#### 4.3.2.3. Monitoring interval of the contract

Appropriate monitoring of the contract administration throughout the contract period can help to take on time measures before it may lead to the unsatisfactory result or failure of the project. The researcher asked the respondents to replay on at what time interval the contract could be monitored by the organization. The respondents gave multiple option of answers of the time intervals: monthly, quarterly, at every milestone completion, when problems happens and at total completion

of the project. Of these monitoring intervals of the contract, undertaking monitoring when the problem faces the project is emphasized particularly by interviewees, thus, salient for illustration.

The project monitoring activities usually happens when the project encounter problems. As the interview data reveal, most of the projects have not been monitored based on a fixed time standard. Rather, the experts follow some projects randomly based on the sensitivity and capital of the active projects. Strangely, this follow up widely depends on the monitors own personal time schedule. Other than this, the monitoring of projects widely depends on the occurrence of problems at the project site. In this respect, the *woreda* or zonal representatives are supposed to notify the OWMEB about the problem, which faces the project. The contractor can also notify the bureau when she is stuck to proceeds with her work. In such a condition, the experts of the bureau are mobilized to interfere to manage the problem or to do a monitoring.

#### 4.3.2.4 Change control mechanisms

During the term of the contract, it may be necessary to amend the contract. Possible modifications include changes to notice addresses, pricing or delivery schedule. There are two types of amendments. The first is a bilateral amendment, which requires the agreement of all parties to amend the contract. The second is a unilateral amendment, which happens when either of the parties in the agreement amend the contract. Yet, the organizations or clients should agree on and determine the change control mechanism before its occurrence, and implement an effective change management process. This is because failure to manage and control contract changes can result in unintentional modification of the statement of work, extension of the schedule, increase in contract cost, and circumvention of management controls or decrease of contractor accountability.

The respondents were asked to give their opinion whether there is a pre-determined change control mechanism or not. Their response is presented in the table 4.10 below;

Table 4.10 **Pre-determined change control mechanism**

		Frequency	Percent	Cumulative Percent
Valid	Yes	17	60.7	60.7
	No	6	21.4	82.1
	I don't know	5	17.9	100.0
	Total	28	100.0	

Table 4.10 illustrates that of all the respondents 17 (60.7%) of them filled in the questionnaire paper that there exists a pre-determined change control mechanism that are identified by the organization. While 6 (21.4% of respondents) give their opinion as there is no any pre- determined or defined change control mechanism at all, 5 (17.9% of respondents) had no idea whether there is a pre-defined change control mechanism or not. This implies that the organization of the study (OWMEB) seem to have change control mechanism (the majority view), as the evidences obtained through interview also indicates. However, even if the mechanism is widely incorporated in the conditions of contract paper, its enforcement is low. This tells that not only having rules in written form that can help for the good performance of the projects but the proper enforcement of the formulated rules.

#### 4.3.2.5 The utilization of benefits promised during contracts by OWMEB

The primary objective of contract administration is to ensure that the benefits or the conditions that are promised in the contract are realized and the organization utilizes all the opportunities. In this respect, respondents were asked to give their opinion on the utilization of benefits as per contracts say. The findings are presented in the table 4.11 below;

Table 4.11 Utilization and realization of promised benefits by OWMEB

		Frequency	Percent	Cumulative Percent
Valid	D	6	21.4	21.4
	N	8	28.6	50.0
	A	13	46.4	96.4
	SA	1	3.6	100.0
	Total	28	100.0	

From table 4.11, one can see that 13 (46.4% of respondents) agree that the promised benefits were utilized by OWMEB, 1 (3.6% of respondents) strongly agrees that the benefit is fully utilized. While 6 (21.4% of respondents) disagree, 8 (28.6% of respondents) had no idea that the promised benefit is fully utilized by the organization or not. Based on these differential responses, one can speak, at least, the presence of an application of benefit utilization to the OWMEB as per promised by the contractors/suppliers. In support, the interview the researcher conducted with the contract administrator shows, most successful contractors/suppliers usually used to give the benefits that they had promised to offer to the OWMEB. Some of these benefits include, giving operational

training for the end users and maintenance of the project within the defect liability period (for one year after the operation of the project).

#### 4.3.2.6 Enforcement of penalty clauses for the breach of contracts

The enforcement of any rule/ law helps for the protection and preservation the rights and duties of a legal person. In this line, enforcement also involves imposing sanction or any related penalties upon the breakup of the law/rule. Respondents were asked to give their opinion on the enforcement of penalty clause for breach of project contracts and table 4.12 below represents respondents’ opinion.

Table 4.12 Enforcement of penalty clauses

		Frequency	Percent	Cumulative Percent
Valid	Yes	17	60.7	60.7
	No	8	28.6	89.3
	I don't know	3	10.7	100.0
	Total	28	100.0	

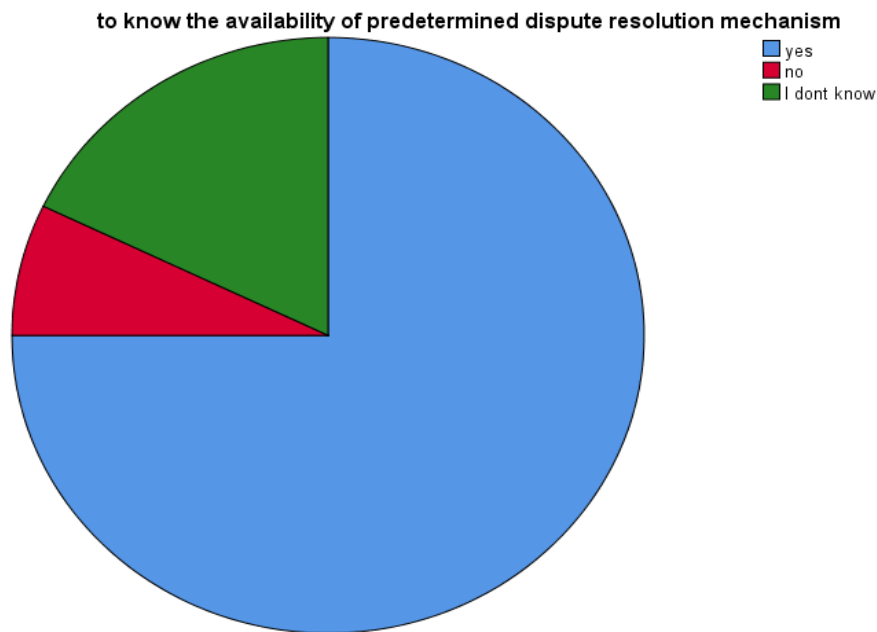
It can, from table 4.12, be declared that 3 respondents (10.7% of respondents) have no idea about the enforcement of penalty clause for any breach of project contracts. 17 respondents (60.7% of respondents) narrated that penalty clause is enforced while 8 respondents (28.6% of respondents) reported that the clause is not enforced upon breach of project contracts. From the results of the finding, majority of the respondents said that there is an enforcement of the penalty clauses that are set in the condition of contract for the deviation of the contract terms or agreement. Similarly, the interview with the contract administrator experts and department leaders shows, there exists a penalty clause in the conditions of contract that can defend the organization from the deviations that the contractors /suppliers created. But concerning its enforcement, they said that there is an applicability of the penalty clause by the OWMEB to some extent, such as asking the liquidity damages, bringing the case to the chamber of commerce, and taking the case to the court. But, for most of the underperformance (e.g., lower quality material, delay of work) of the contractors, the organization take a measure of terminating the contract without asking for the compensation of the damage. They further said that when they ‘float the bid for the rural project construction, there is no criteria that ask for experience of the contractors’. That is, the set criteria is zero year work experience of contractors, as per also depicted in the government regulation. Hence, even if the

junior contractors are sued at the court for being unable to keep their promise, the result will be time spending because these contractors usually do not have financial and technical capability to compensate the wronged.

#### 4.3.2.7 Dispute resolution mechanisms

Dispute is part of human social and economic interaction. When a dispute arises, there are various methods by which it may finally be resolved. These methods fall into two categories, namely resolution by agreement and resolution by a binding decision of a third party. Therefore, since disagreement between the contractor/supplier and the client may be inevitable, there must be a pre-defined mechanism by which a disagreement could be resolved that both parties agreed on it.

The respondents asked to respond that if there is any pre-determined dispute resolution mechanism at the OWMEB or not. Figure 4.3 below presents the result of the respondents' opinion;



**Figure 4.3 dispute resolution mechanisms**

Figure 4.3 depicts from all of the total respondents, majority of respondents 21 (75% of respondents) responded there is a pre-defined dispute resolution mechanisms at the case organization. Contrary to this, 2 (7.1% of respondents) give their opinion that there is no a pre-determined mechanism of dispute resolution at the OWMEB, and 5 (17.9% of respondents) had no idea about the availability of any pre-determined dispute resolution mechanism. From this raw

data one can easily draw the presence of dispute resolution mechanism at the OWMEB. The findings indicate that there is a clause in the condition of contract that expresses about the processes and procedures of the dispute resolution.

#### 4.3.2.8 Respondents’ experience on disputes with OWMEB contractors/suppliers

Clients and vendors may disagree over terms of the contract or the performance of the vendor. Disputes vary significantly in level of severity. The source of disputes are related with failure to keep ones promise as agreed upon in the contract paper. This includes lower quality work of the contractor, unnecessary cost during the active period of the contract and delaying the work. The goal of a dispute resolution process is to resolve all problems as soon as possible, especially before they escalate into contract termination or unnecessary litigation. This is to mean that resolving contract issues through direct negotiation between the organizations and the contractor/supplier representatives, without involving the third party intervention, are widely employed.

When the dispute is not worked on quickly, unnecessary result may follow. To overcome this problem, early identification of issues, effective communication with contractor, and providing contractor with written notice of issues raised by the client (including a formal request to cure or a less formal written process) is crucial. In this respect, the re respondents’ response.

Table 4.13 Respondents’ experience on dispute with contractors/suppliers

		Frequency	Percent	Cumulative Percent
Valid	Yes	13	46.4	46.4
	No	15	53.6	100.0
Total		28	100.0	

Table 4.13 outlines respondents’ experiences on project disputes at OWMEB. Of all the respondents, 13 (46.4% of respondents) have experienced disputes related to projects whereas 15 (53.6% of respondents) have not. One can read through this data that dispute widely exist at the OWMEB. This also tells us that although minor dispute can be a catalyst of change, the prevalence of serious number of dispute can bring problem to the organization.

The findings of this questionnaire can be seen at a broader literature and interviews. Apparently, analysis shows that at the OWMEB there are disputes related to projects majority of which are caused by contractors/suppliers’ fault such as late delivery, poor quality of works and/or services, cheating the volume of works, under quality of the construction materials and technical

incapability. Similarly, Sharma et.al. (2011) show these issues as a common problems with suppliers. The interview that the researcher conducted with the contract administration experts also supports this idea. The interviewee further discussed about the measures taken by the OWMEB for the underperformance of the contractors. They said that some cases were solved through the negotiations of the parties whereas other cases were provided to and resolved through the interference of the Addis Ababa chamber of commerce.

#### 4.3.3. Inspection of deliverables

Inspection is typically focus on verifying that the deliverables will meet the needs identified by the client and agreed by the contractor/supplier during the solicitation stage. Because of the quality problems that have encountered most of the projects, researcher wanted to identify if there is inspection of deliverables, by whom is undertaken and the ways in which the inspection takes place at OWMEB. The respondents’ opinion is presented as shown in the table below;

Table 4.14 Inspection of deliverables

		Frequency	Percent	Cumulative Percent
Valid	Yes	27	96.4	96.4
	I don't know	1	3.6	100.0
	Total	28	100.0	

Table 4.14 reveals respondents’ view on inspection of deliverables at OWMEB. 27 (96.4%) of respondents agreed that there is an inspection of deliverables at this organization whereas only 1 (3.6%) of respondents were in view that there is no inspection practice at this case organization. The respondents give their opinion regarding the body who carried out the inspection, that it is undertaken by the technicians of subject matter and organized committee from different functional departments. The conductor of the inspection and method of inspection are discussed as follows.

##### 4.3.3.1. The conductor of the inspection of project deliverables

The respondents asked about the individuals who inspect the project deliverables. Their response is shown on the table 4.15 below;

Table 4.15 The individuals who inspect the deliverables.

		Frequency	Percent	Cumulative Percent
Valid	Technician of subject matter	7	25.0	25.0
	organized committee	21	75.0	100.0
	Total	28	100.0	



Table 4.15 shows the respondents' opinion about the individuals who undertake inspection of project deliverables. And of the total respondents 21 (75% of respondents) said that the inspection is undertaken by an organized committee, while 7 (25% of respondents) said that it is undertaken by technicians of the subject matter.

As the discussion conducted by the researcher with all the interviewees, they also expressed that the inspection of project deliverable is undertaken by a committee that is formulated from different functional departments with individual expertise. They said that because of the unique nature of projects, the committees are not permanent rather it is an ad hoc. That is to say that the committee is established when needed (e. g., occurrence of the problem) and disbanded after accomplishing its mission.

#### 4.3.3.2. The methods that used to inspect the deliverables

The researcher asked the respondents about the ways that in used at OWMEB to inspect the project deliverables and the respondents' opinion is depicted on the table 4.16 below

Table 4.16 Ways of conducting the inspection

	Frequency	Percent	Cumulative Percent
Seeing the overview	4	14.3	14.3
By reviewing cumulative report	18	64.3	78.6
Valid By conducting deep investigation	6	21.4	100.0
Other method			
Total	28	100.0	

Table 4.16 shows the result of respondents' opinion regarding the ways through which the OWMEB undertake the inspection of deliverables. From the table, of all the respondents 18 (64.3% of respondents) said that the inspection is undertaken through reviewing the cumulative report of the contractor while 6 (21.4% of respondents) replied as the inspection is undertaken by conducting deep investigation of deliverables, and the remaining 4 (14.3% of respondents) said that the inspection is carried by observing the overview of the project.

As the evidences secured through interview shows, shortage of manpower is at the stake for improper employment of inspection. Given that the wide geographical coverage of Oromia regional state in Ethiopia and the prevalence of multiple peripheries, the available manpower

usually are mobilized to make deep investigation based inspection of nearer sites, particularly closer to Addis Ababa. This implies that the peripheries sites projects could be inspected through mere field visit and observations.

#### 4.3.3.3 Documentation of the lessons learned

At the end of a contract period, organizations should evaluate the vendor’s performance and their own method of monitoring the vendor. These evaluations should provide the feedback necessary to determine the ways to be followed in the future by the organization to improve its contract administration system. The respondents asked to give their opinion on the documentation practice of the CACS department of the OWMEB, and they responded as indicated in table 4.17 below;

Table 4.17 Documentation of lessons learned

		Frequency	Percent	Cumulative Percent
Valid	Yes	7	25.0	25.0
	No	16	57.1	82.1
	I have no idea	5	17.9	100.0
	Total	28	100.0	

From the result it can be understood that majority of the respondents 16(57.1%) said that there is no any documentation practice of the lessons learned from the contract implementation whereas in opposite to this view 7(25%) of the respondents reflect that there is a documentation of lessons learned by the case organization and 5(17.9%) of the respondents had no idea about this question.

Documenting the lessons learned through the implementation of contracts/project is essential for the organizations as it helps to show all the right and wrong ways through which the activities pass through as well as the conditions that enable to go through that good way and also the conditions that lead for the wrong ways. From the respondents product we see that there is a poor documentation practice at this organization that enable them to learn from for the future from both the right and wrong performances. The interviewees also said that even though it is a good learning and we also strongly agree with its importance, no one register the history of the project implementation events. It may sometimes orally narrated at a points where some strange happenings whether success or failure occurred.

#### 4.4 Risks Associated with Poor administration of project contracts

Poor administration of project contracts entail several risks. As the researcher uncovered, the poor administration of project contracts at OWMEB have the following risk.

##### (a) Contractor relationship risks

The contractor relationship play a significant role for the smooth run of the contract administration. This means that the lack of good relationships between the contractor and the client will have an adverse effect on the project performance. As the data obtained through semi-structured interview show the deterioration of the relationships between the parties emanate from “poor contract administration”. This condition will have effect on both the contractor and the client, putting the project ongoing at risk. This reminds us the common saying that when the two elephants are fighting it is the grass that will suffer more.

##### (b) Poor quality of works or services

The poor quality of deliverable adversely affects the project. The interview that the researcher conducted with the contract administrator reveal that the contractors usually mobilize lesser quality services/goods to work on the project than they agreed/promised to employ. For example, a certain contractor agreed to use 3.5 thickness water pipe to build public-based drinking water in Bale zone. However, justifying the difficulty to access to the mentioned thickness of the pipe, he convinced the client to use 2.5 thickness to peruse with his work. Yet when the final work inspected, the pipe that the contractor used is only 1.5 thick. This implies problem related to project monitoring,

##### (c) Late deliveries

The contractors usually do not deliver their product within an agreed time framework. This problem is mainly associated with the issue of monitoring the project. As the respondent told to the researcher, the absence of close and timely follow up of the work of contractor contribute to the delay of delivering the products on time. This respondent further mentioned that most contractors engage in multiple projects at the same time that make them busy with each project, resulting in the delay of all of them. The interviewee said that most of the rural medium size projects were estimated and agreed to be finished within six month to one year, but it is lagging up to two to three years. This shows that monitoring can help alleviate the shortcomings related to late deliveries.

(d) Termination penalties

Terminating the contract with the contractor is the final option and action that the client take. Several variables contribute to the termination of the contract, mainly poor quality work and time overrun. As the interview data reveal, the termination of the project negatively affects both the public and the client. On the one hand, the public cannot get clean water as planned. On the other hand, the action incur financial costs on the client, as looking for another contractor usually bring more costs. This reveals that the action will have effect on enabling the public to gain access to clean water and on the economy of the country as a whole.

## CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

### 5.1 Introduction

In chapter one, the main and specific research objectives were listed; these objectives were addressed during the course of this research and will therefore, be properly concluded. Lastly, recommendations with regard to the role of contract administration on the project performance at OWMEB will be made. The chapter comprises three sections: introduction, conclusion and recommendations on the role of contract administration on the project performance at OWMEB.

### 5.2 Conclusions

The objective of this research study were to assess the role of contract administration on the project performance at OWMEB, specifically, to assess the contract administration planning practices and its role on managing the contracts, to assess the inspection practice and its contribution to get the intended deliverables, and to assess the contribution of timely monitoring of contract implementation for the performance/success of projects at OWMEB. The reviewed literature showed that contract administration's contribution is vital on the project performance. Most water construction projects of OWMEB fail to meet their objectives and the questionnaire and interview were devised to discover if poor management of contract administration might be contributory to this effect among other things. The questionnaire survey and the interview were believed to contain all the important research questions which were helpful in fulfilling the research questions. The results of the interview and questionnaire survey in line with the literature review were presented in the previous section.

The findings reveal that the contract administration has an invaluable contribution for the performance/success of project, specially the contribution of contract administration plan, close monitoring of contract implementation and inspection of deliverables.

Although at OWMEB contract administration function is considered significant, there is staffing inadequacy in contract management function, the capacity building and information management system of the organization is poor. Though the contract administration plan is considered vital, there is no standard proactive specific plan preparation system at OWMEB, the monitoring of various projects draw on a very arbitrary action. Contract implementation monitoring is believed

to have an invaluable contribution on the project performance but there is no close monitoring of contract implementation, there are disputes related to projects majority of which are caused by suppliers' late delivery, poor quality of works and/or services, wrong products/services, risk of termination/failure, scope change, supplier's technical incapability and slack on enforcement of penalty clauses for suppliers' breach of project contracts; instead termination is mainly taken as a measure, little attention is also paid to the undertaking of the inspection of deliverables.

These have exposed OWMEB to a lot of risks ranging from project management uncertainty, supplier relationship risks, poor quality of works or services, late deliveries, termination of contracts, conflicts as well as loss of revenue and goodwill.

### 5.3. Recommendations

In order to assess the role of procurement contract administration on project performance/success at OWMEB, reliable and valid instruments were developed, the results were analyzed and thoroughly discussed, conclusion was reached and the following are recommendations arising from the study objectives;

- First and foremost, to administer the contract effectively having full knowledge or information about the contract such as contract number, description of the work, contract cost, name and address of the contractor, contract signing date, contract completion date, responsible person to monitor, and specification of the work, OWMEB shall have a proactive plan that can lead all the directions and destinations. Because lack of a contract administration plan can result in gaps in the monitoring process of the contract implementation.
- To take on time corrective measures before the problems escalated to high risk of failure, timely observation and checking of the project execution should be needed.
- To administer compliance with terms and conditions of project contracts, OWMEB shall secure and enforce penalty clauses for suppliers' breach of project contracts instead of terminating the contract. Termination cannot compensate the loss incurred. Moreover, enforcement of penalty clauses would help suppliers to match specifications, deliver materials and high quality of projects and services on time which would guarantee the efficient and effective delivery of project.

- OWMEB has to implement the testing and inspection of deliverables starting from the construction materials to the construction of projects at every milestone. This would support to prevent the under quality of construction materials and standard of the construction.
- OWMEB has to recruit and retain more experienced and qualified staff for contract management function to cope with increased demand of project management. This would increase the likelihood of close monitoring of project contracts during projects implementation and inspection of deliverables.

## References

- Aberdeen Group, 2006. Aberdeen Group, Contract Management Benchmark Report  
Procurement Contracts – Maximizing compliance and supply performance, March 2006.
- Addis Mesfin. 2014. A Study on Construction Contract Risk Management Practices in Ethiopian Building Construction Projects.
- Ampomsah, R. 2012. The Real Project Failure Factors and the Effect of Culture on Project Management in Ghana. Accra.
- Angelov, S. 2006. Foundation of B2B Electronic Contracting. Technische Universiteit Eindhoven, Proefschrift.
- Australian National Audit Office. 2012. Developing and managing contracts, getting the right outcome, achieving value for money, better practice guide.
- Chiappori, P.A & Salanie, B. 2003. Testing contract theory: A survey of some recent work. In: Dewatripont, M., et al. (Eds.), Advances in Economics and Econometrics, vol. 1. Cambridge University Press, Cambridge.
- CIPS. 2012a. Managing contracts and relationships in procurement and supply. 1st ed. Lincolnshire: Profex Publishing Limited.
- \_\_\_\_\_ 2012c. “Improving the competitiveness of supply chains”. 1st ed. Lincolnshire: Profex Publishing Limited
- Costa, K., Pimentel, C., Dai, P., Gan, H, & Gu, Y. 2009. Contract Management for International EPC Projects. USA.
- Cristian P., Kyle Costa, Contract Management for International EPC Projects, Faculty of the Worcester Polytechnic Institute, China, 2009.
- Else, D. R. 2007. Contract Management Guide.
- Fisher, C. 2010. Researching and writing a dissertation, an essential guide for business students. 3rd ed. Essex: Pearson Education Limited
- Gaikwad, M. 2011. Importance of Project Management in Organizations.
- Gelderman, C.J. & Van Weele, A.J. 2003. Handling measurement issues and strategic directions in Kraljic’s purchasing portfolio model. Journal of Purchasing and Supply Management.



- Green Point Global, 2013. Taking Control of Your Contracts: Best Practices For Contract Management.
- Guiffrida, A. L. & Nagi, R. 2004. Cost Characterizations of Supply Chain Delivery Performance. New York – USA.
- Hillson D. 2009. Managing risk in projects. UK: Gower Publishing
- Hotterbeekx, J.M.H. 2013. Determining contract management professionalism within Rijkswaterstaat, Master thesis project, TUE. School of Industrial Engineering.
- Humphries Associates. 2004. Essential Features of valid contracts.
- Hutchison et al., 2009. The Law of Contract in South Africa: Oxford University Press.
- IACCM, 2012. Poor Contract Management Costs Companies 9% — Bottom Line
- Kakwezi, P. & Nyeko, S. 2010. Procurement Processes and Performance: Efficiency And Effectiveness Of The Procurement Function. Makerere University Uganda.
- Ketchen, D.J. & Hult, G.T.M. 2006. Bridging organization theory and supply chain management: the case of best value supply chains. Journal of Operations Management.
- Kothari, C. R. 2004. Research Methodology: Methods and Techniques. 2nd edition. India.
- Kumar, R. & Marqueset, T. 2007. Development of performance-based service strategies for the oil and gas industry, a case study. Journal of Business & Industrial Marketing, 22(4).
- Lysons, K., & Farrington, B., 2006. Purchasing and Supply Chain Management, 6<sup>th</sup> Edition. Pearson Education Ltd England.
- Mbogo, et al. 2012. Research methodology. Durban: Excel Learning Pty. Ltd.
- Miller, J. 2005. A practical guide to performance measurement. Journal of Corporate Accounting & Finance, 16 (4).
- Mugenda, A. G., & Mugenda, O. M. 2003. Research Methods: Qualitative & Quantitative Approaches. ACTS, Nairobi.
- Nguyen, P. 2013. Contract lifecycle management on the sell-side, a case study in upstream oil and gas industry, Thesis, Lahit University of Applied Sciences.
- Path, (n.d). Procurement capacity toolkit, contract performance and monitoring
- PMI. 2004. A Guide to Project Management Body of Knowledge. 3rd.ed. Newton Square. USA.

- Project Management Institute. 2008, A guide to the project management body of knowledge (PMBok), fourth edition, USA.
- Prosidian Consulting LLC. 2011. Managing contract risks. The increased importance of contracts as a risk management tool.
- Public Procurement Agency (PPA). 2006. Standard conditions of contract, Ethiopia.
- Saunders, M., Lweis, P., & Thornhill, A. 2009. Research methods for business students.5th Ed, Essex: Pearson Education Limited.
- Sharma et al. 2011. Supplier Issues for Lean Implementation. International Journal of Engineering Science and Technology.
- Smyth, R. 2004. Exploring the Usefulness of a Conceptual Framework as a Research Tool: A Researcher's Reflections. Issues in Educational Research, Volume
- Telgen, J. 2004. Purchasing Control, Compliance and the box: Purchasing Management based on hard data', International Public Procurement Conference Proceedings, Vol. 4, Issue 3.
- Tigist Belachew. 2016. The Study of Construction Contract Risk Management Practices in Ethiopian Building Construction Projects”.
- UT Dallas. 2017. *Contract Management Handbook*. The University of Texas.
- Van Weele, A. J. 2006. Purchasing & Supply Chain Management: Analysis, Strategy, Planning and Practice. 4th edition. Australia.
- Wysocki, R.K. 2009. Effective Project Management: Traditional, Agile, Extreme. 5th edition. USA.

## Appendix 1

### Questionnaire

**Addis Ababa University**  
**College of Business and Economics**  
**School of Commerce**  
**Department of Project Management**

Dear sir/Madam

I am currently doing my Masters Degree in Project Management at Addis Ababa University and now I am engaged in conducting my MA Project Work entitled: **The role of contract administration in the project performance**. I believe your experience and educational background will greatly contribute to the success of my research. So it's with great respect that I ask you to fill this questionnaire.

The questionnaire is designed to collect information on – Project contract administration in government organizations. The information is going to be used as a primary data in this project work believing that your frank and genuine responses will contribute vastly to the quality of the findings of this study, the researcher would like to ask you kindly to complete this questionnaire, as truthfully as possible. She would also like to inform you that the responses you provide will be kept confidential and will not be disclosed to the third party without your consent.

The researcher would like to express her heartfelt thanks in advance for taking part in this endeavor.

Sincerely

Dandane Hirpassa

#### **General Direction;**

- No need of writing your name;
- Tick in the appropriate space provided under each question;
- If you cannot get any satisfying choice among the given alternatives, you can write your answer, in the space provided for the option
- For the open ended items, give brief answer in the space provided

**Part I: Demographic characteristics of respondents and general background**

- 1. Sex:  
 Female  Male
- 2. Age:  
 18-20  21-30  31-40  41-50  Above 51
- 3. Academic qualification  
 Ph.D.  MA/MSc  BA/BSc  Diploma  High school complete
- 4. Your current position in the organization  
 Top management  Middle management  Project manager  
 Contract administration expert/officer  Other expert
- 5. Your service year on the contract administration and construction supervision department  
-----

**Part II. General Issues**

- 1. In your opinion, do you think Oromia WMEB’s contract administration function is properly staffed?  
 Yes  No  I don’t know
- 2. Which are the source of your major project fund (you can thick more than one)  
 Government treasury  International donor agencies  
 Bi-lateral organizations  Nongovernmental Organizations  
 Individual donations
- 3. Do government projects start and complete as per planned time, cost and quality?  
 Yes  No  Partially

If no, why/what is the reason? -----  
-----  
-----.

- 4. Does your organization provide contract administration training for the staff?  
 Yes  No
- 5. Experience sharing and adoption of best practices is:  
 Absent  Only to some extent  Well developed  Unknown

6. Is there any information management system that can supports contracts manager?  
 Yes             No             Neutral
7. Does your organization regularly analyze data in order to assess achievements and challenges?  
 Yes                             No                             I have no idea
8. Is there any documentation practice of the lessons learned on the contract implementation/project execution?  
 Yes                             No                             I have no idea
9. If your answer for question no. 3 is yes, how the lessons learned is documented?  
 For successful projects             For unsuccessful projects             For all projects

**Part III. Contract administration practices**

**A. Contract administration plan**

1. Do you agree with the importance of contract administration plan?  
 Yes     No                             Neither agree nor disagree
2. Is there any preparation of the plan in your organization on how to manage or administer the contract?  
 Yes                             No
3. If your answer for ques. **No. 2 is yes**, please specify the content of the contract administration plan,-----  
 -----  
 -----  
 -----.
4. When was this plan prepared?  
 At the solicitation time                             After the award  
 After the contract signed                             When the work started
5. How do you consider the importance of Contract Management function in the effective delivery of project contracts?  
 Unimportant    Of little importance    Moderately important    Important    Very important.

6. Does the role and responsibility of the contract administration managers and officers were identified?

- Yes                       No                       I don't know

**B. Contract monitoring**

1. Do you agree that monitoring of contracts during project implementation contributes for the performance of project at OWMEB?

- Strongly disagree    Disagree    Neither agree nor disagree    Agree    Strongly agree

2. Is there any separate responsible body/entity to follow up the performance of the contract?

- Yes                       No                       I don't know

3. What are the methods of monitoring that your organization used? You can select more than one answer,

- Site visits               Review of reports submitted by the contractor/supplier  
 Expenditure document review                       other

4. On what interval the contract in your organization could be monitored?

- Monthly                       Quarterly                       At every milestone completion  
 When problems encountered                       At the total completion of the contract

5. Is there any pre-determined change control mechanisms (the process by which the contract may be modified) if needed by the organization/department?

- Yes                       No                       I don't know

6. Are the benefits promised by contracts fully utilized and realized by OWMEB?

- Strongly disagree    Disagree    Neither agree nor disagree    Agree    Strongly agree

7. Are penalty clauses enforced for breach of project contracts?

- Yes                       No                       I don't know

8. If your answer is "No," state how it is discharged

-----  
-----  
-----.

9. Is there any pre-determined dispute resolution mechanisms (the process by which the disputes may be resolved) by the organization/department?

Yes       No       I don't know

10. Have you experienced any dispute(s) with suppliers/contractors?

Yes       No

11. If your answer is "Yes" state what was it (were they) related to?

-----  
-----  
-----

12. What measures has Oromia WMEB taken to resolve those disputes?

-----  
-----  
-----

13. What are the major problems encountered in your organization? You can tick more than one answer.

Wrong product/service       Delays       Poor performance  
 Risk of failure/termination       Scope change

### C. Inspection of deliverables/Supplies

1. Does the inspection of deliverables take place at OWMEB?

Yes       No       I don't know

2. Who conduct the inspection work at your organization?

Technicians of the subject matter       Proposed procurement expert  
 Organized committee from different departments  
 End user of the deliverable/supplies and technicians       Other responsible third party

3. How does the inspection take place?

By seeing the overview       By reviewing the cumulative report of the contractor/supplier  
 By conducting deep investigation       Other

4. Kindly state the risks associated with poor management of project contracts?

-----  
-----  
-----

5. Please mention any other contract administration issues that might not have been covered above. Additional issue:

-----  
-----  
-----.

6. What do you recommend to cope up challenges and improve contract administration system effectiveness?

-----  
-----  
-----.

Thank you for your cooperation and time!



Interview Guide Questions presented to Oromia WMEB Executives

**Addis Ababa University**  
**College of Business and Economics**  
**School of Commerce**  
**Department of Project Management**

Date of interview -----

**Introduction:** Good morning/after noon, my name is Dandane Hirpassa,

**Purpose:** This interview is being conducted as part of my MA Project Work examining the role of contract administration to the project performance on public social/developmental projects in Oromia Regional State. You are selected and solicited for this interview (which lasts for about 40 minutes) for your knowledge, experiences and skills on project contract administration.

1. What the staffing of your Organization/department looks like? What do you think is the effect of the sizes and quality of the staff on contract administration?
2. Did projects always complete within the anticipated/agreed time, cost and quality? How and Why?
3. How do you see the role of contract administration for the success of the project performance?
4. How is the contract administered? What are the major activities in administering the contract?
5. Would you mention the major problems faced during the contract administration?
6. The main cause of the problems faced?
7. How can contract administration be improved in the future?
8. Do you have additional issue to mention regarding contract administration?

Thank you for your cooperation and time!