



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

PROJECT CONTRACT MANAGEMENT PRACTICE: THE CASE OF HEINEKEN BREWERIES
SHARE COMPANY KILINTO PHASE II PROJECT

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Arts in Project Management

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SHARE COMPANY KILINTO PHASE II PROJECT”**

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Declaration

I, Alemayehu Lakew declare that this project work is a result of my independent research work on the topic entitled “Project Contract Management practice: The case of Heineken Breweries Share Company Kilinto Phase II project”. In partial fulfillment of the requirements for the Degree of Masters of Art in project Management at Addis Ababa University. This work has not been submitted for a degree to any other university. All the references are also duly acknowledged.

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Letter of Certification

This is to certify that Mr. Alemayehu Lakew has carried out this project work entitled “Project Contract Management practice: The case of Heineken Breweries Share Company Kilinto Phase II project” is under my supervision. This work is original and suitable for the submission in partial fulfillment of the requirement for the award of Master of Arts Degree in Project Management.

Abdurezak Mohammad (PhD)

Date & signature

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Acronyms

HL – Hectoliter

HBSC - Heineken Breweries Share Company

PMBOK - Project Management Book of Knowledge

PO – Purchase order

PQ – Purchase quote

PMI - Project Management Institute

RFI - Request for Information

SOW - Statement of Work

SPSS - Statistical Package for Social Science

Abstract

The purpose of this study is to describe project contract management practice in HBSC Kilinto phase II Project. To address the objectives of this study a descriptive research design was employed as well both quantitative and qualitative approaches were used. Both primary and secondary source of data were employed i.e semi structured-interview and close ended questioner as a primary data and different document analysis were done as a source of secondary data. All employees of HBSC Project team were incorporated in this project work. In which data was gathered by distributing questionnaires to 39 respondents, where 38 were filled in and collected and the remaining 1 is missed, an interview was conducted with the project manager and installation site manager. The data obtained through questionnaire has been analyzed quantitatively using descriptive statistics: frequency and percentage through SPSS version 24 software. Moreover, the data obtained using interviews has been analyzed qualitatively. The project work focused within project contract management practice of HBSC Kilinto II Project by addressing the process namely: contract terms and conditions, contract monitoring, contract documentation and contract controlling and closing. According to the findings of project work, there is standard templates, procedures and policies for the project. On the other side project team lack training in regard to contract management, lack of proper documentation, significant delay, poor implementation of terms and conditions, lack of regular monitoring of contracts and also controlling and closing have been found as the areas that needs improvement. Thus, a recommendation has been made under this study on what actions should be taken in order to improve project contract management practice for current and future projects of Heineken Brewers Share Company.

Key words: Contract, Project Contract Management, Terms and Conditions, Delay, Contract Monitoring, Cost, payment, Documentation, Contract Controlling and Closing

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

According to PMBOK (2013), one of the main elements to meet project objective is effective project procurement management which includes the processes necessary to purchase or acquire products, services, or results needed from outside the project team. Indicating that, a well-managed procurement in projects will contribute a lot to gain advantage on the constraints of quality, cost as well time.

Contract management is the management of contracts made with customers, vendors, partners or employees. Contract management includes negotiating the terms and conditions in contracts and ensuring compliance with the terms and conditions. It includes documenting and agreeing on any changes that may arise during its implementation or execution. It can be summarized as the process of systematically and efficiently managing contract creation, execution, and analysis for the purpose of maximizing financial and operational performance and minimizing risk. (Bhardwaj, 2011).

The contract is the central element of every project activity. Contract management is becoming an integral part of project management, and business in general. Many commercial and project managers are more and more facing contract management issues. For projects of all types different contracts will be structured, negotiated, concluded and fulfilled. Contract management Guide, Republic of South Africa (2010), cited in Ronald Kibuuka, (2014).

Rajab I. Shiwa, 2014 cited that 60-80% of business transactions are governed by agreements or contracts and more than 10% of all executed contracts are lost. A number of problems could be avoided if project contracts are managed well. These problems include; among others are inappropriate clauses, unexpected costs, and legal delays, delays in delivering orders and their consequences, getting inferior quality of goods/services/works, misunderstanding between parties.

According to Prosidian Consulting LLC (2011), findings of recent international surveys conducted by Supply and Demand Chain executives on the complexities and risks of project contracts in today's "flattened globe" which requires firms to adjust faster and in stable manner to remain competitive shows that there is a significant loss of money due to ineffective management of project contracts.

Heineken is a multinational organization that operates in more than 75 countries all over the world. It starts operation in Ethiopia in 2011 G.C with a vision of leading the nation's ever growing beer market. In July, 2014 Heineken Ethiopia inaugurates its Greenfield project at Kilinto with a production capacity of 1.5 million HL per year. The beer market in Ethiopia has showing incredible growth. In an effort to meet the demand of the market, the presence of Kilinto II expansion project was necessary. Heineken allocates more than 90 million Euro to expand the capacity of the Brewery. Project Data Book (2015).

Still today, not many researches are done in this area, especially in Ethiopia. This project work aims to fill the research gap in HBSC kilinto phase II project. Therefore, this project work is emphasized to assess the practice of project contract management in Heineken Breweries Share Company: The case of Kilinto phase II project.

1.2 Statement of the Problem

Contract management is becoming a core competency critical to an organization's competitive advantage. Recent studies have shown that organizations with established and mature contract management processes are able to generate millions of dollars in additional savings and have a distinct competitive advantage over their competitors. (Rendon, 2007). Effective contract administration practice have a big contribution to a success of a project.

Heineken Breweries S.C after acquiring Harar and Bedele Breweries in Ethiopia, has been constructed Greenfield project and Kilinto II expansion project at Kilinto. The Kilinto III expansion project is also on progress to meet the rising demand of Ethiopian beer market. In Kilinto phase II expansion project, procurement includes different goods and services from locally as well as from abroad. Since the project has been requires huge investment and different types of

deliverables within short period time, procurement and contract management practice has faced different challenges. Based on a preliminary meeting held with five project team members of HBSC on February 7, 2018 they have stated that the below problems has been faced during the life cycle of the project.

- Delays in delivery of the contracted service.
- Works done without contract renewal of the expired contract.
- The documentation of the contract is not efficiently manage.
- Terms and conditions that are stated in the contract are not properly implemented.

If this trend continues in current and future projects, it will cause violation to the terms of contract. Which will lead to fines and potential lawsuits, time and productivity inefficiency, misunderstanding among parties, and loss of cost savings etc. As a matter of fact, the need for the study to examine contract management practices on projects in HBSC has been found crucial and timely to fill the research gap in the problems that has been affected the effectiveness of contract management practice.

1.3 Research Questions

The researcher tries to answer the following research questions while doing the project work.

- What contract monitoring practices has been undertaken in HBSC Kilinto Phase II project?
- How contract controlling and closing practices was undertaken HBSC Kilinto Phase II project?
- Did the terms and conditions stated in the contract was implemented properly in HBSC Kilinto Phase II project?
- How contract documentation was managed in HBSC Kilinto Phase II project?

1.4 Objectives of the Study

1.4.1 General Objective

The main objective of the study is to describe the practice of contract management in HBSC Kilinto phase II project.

1.4.2 Specific Objectives

Precisely, the specific objectives of this study are;

- To identify contract monitoring practice in HBSC Kilinto Phase II Project.
- To identify contract controlling and closing practices in HBSC Kilinto Phase II project.
- To determine if suppliers and contractors was adhered with terms and conditions of the contract in HBSC Kilinto Phase II project.
- To assess contract documentation practice in HBSC Kilinto Phase II project.

1.5 Significance of the Study

- This study will give big insights to understanding the importance of contract management in the project success.
- This study can be helpful for the project to identify with in which of the contract management processes that the project needs improvement.
- This project work will also contributes as a source reference and act as a spring board for future researches on similar topic.

1.6 Delimitation and Limitation of the Study

The project work focused only on one specific project i.e. case study in HBSC Kilinto phase II project and the result may not show the result of all projects. But, it can be used as a comparison for similar project papers. Also it is only focused on the contract management practice. Other knowledge areas and project components not addressed in this project work.

1.7. Organization of the Study

This study was composed of five chapters. The first chapter deals with background of the study the second chapter deals with review of related literature, the third chapter focused on research methodology and research design, the fourth chapter emphasized on data presentation and analysis and the last chapter five deals with summary of basic finding, conclusion and recommendation of the research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical Literature Review

2.1.1 Project and Project Management

PMBOK (2013) defines project as a temporary endeavor undertaken to create a unique product, service or result. Where, the temporary nature of projects indicates that a project has a definite beginning and end. Kerzner (2009) similarly defines it as a series of activities and tasks that have a specific objective to be completed within a certain specifications, have a defined start and end dates, have funding limits and consume human and non-human resources.

The 2004 edition of the PMBOK defines project management as "... application of knowledge, skills, tools and techniques to project activities to meet project requirements. Project management is accomplished through the application and integration of the project management processes of initiating, planning, executing, monitoring and controlling, and closing".

Kerzner (2009) states that project management is about planning, organizing, directing, and controlling of company resources for a relatively short-term objective that has been established to complete specific goals and objectives and is about achieving time, cost and quality targets, within the context of overall strategic and tactical client requirements.

2.1.2 Project Procurement Management

As mentioned in the PMBOK (2013), project procurement management is one of the knowledge area which is found among the ten knowledge areas that are used on most projects. It is a process that involves agreements, including contracts, which are legal documents between a buyer and a seller.

Wysocki (2014) state that the Project Procurement Management Knowledge Area consists of processes that span the Planning, Launching, Monitoring and Controlling, and Closing Process Groups. An effective procurement management life cycle consists of the following five phases:

Vendor solicitation, Vendor evaluation, Vendor selection, Vendor contracting and Vendor management.

PMI (2000), states that Project Procurement Management is a subset of project management that includes the processes required to acquire goods and services to attain project scope from outside the performing organization. It consists of: Procurement planning that is determining what to procure and when, solicitation planning which is documenting product requirements and identifying potential sources, solicitation-obtaining quotations, bids, offers, or proposals, as appropriate, source selection-choosing from among potential sellers, contract administration, managing the relationship with the seller and finally, contract closeout-completion and settlement of the contract, including resolution of any open items.

2.1.3 Contract and Contract Management

Hutchison et al. (2009), as cited in Mohammed (2014) defined a contract as an agreement entered in to voluntarily by two or more parties with an intention to create legally enforceable obligation(s). A contract entails voluntary promises between competent parties to do or not to do something which is enforceable by law. A contract may obligate a contracting party before receiving anything from the other side or even after calling the deal off; for example, after the supplier acknowledges the receipt of the purchase order, he is liable to deliver materials based on the delivery terms agreed. The same applies to all parties after contract closures in confidentiality issues where the parties agree not to disclose confidential matters for number of years after the contract closure.

Contract management is closely related to the concept “contract administration” and they are often confused and can have very similar definitions in literature. In most literature however, the concept of contract management refers to the processes of managing the entire contract lifecycle of contracts, rather than the management of implementation of contracts, which is an often used definition for contract administration. The objective of contract management is full realization of the potential of contracts. Keskitalo, (2006) as cited by Kleiren (2008)

According to Bhardwaj (2011), contract management is the process that enables both parties to a contract to meet their obligations in order to deliver the objectives required from the contract. It is also involves building a good working relationship between company and contractor. It continues

throughout the life of a contract and involves managing proactively to anticipate future needs as well as reacting to situations that rises.

According to Basingstoke and Deane. 2013 Contract management is the proactive monitoring, review and management of contractual terms secured through the procurement process to ensure that what is agreed is actually delivered by suppliers or partners. Contract management includes:

- ensuring compliance with the terms and conditions agreed
- documenting and agreeing any changes or amendments that may arise during contract implementation or execution

In short, effective contract management ensures that: strategic priorities agreed at the outset are delivered in a timely and cost effective manner; Issues of non-compliance or variation are picked up early and either dealt with or appropriately escalated for resolution; Costs and risk are managed appropriately; and Reviews are undertaken and lessons learnt fed back into the commissioning and procurement process to ensure continuous improvement.

2.1.4 Contract Management Theories

To understand the role of good contract management in the effectiveness of project management, we must first understand the underlying theories and concepts of contract management in the context of project discipline, these include contract compliance theory, contract management theory, the principal-agency theory, the will theory, and the reliance theory as explained here under;

2.1.4.1 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.

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.

2.1.4.2 Contract Management Theory

Contract management theory can be interpreted as category management, contract administration and contracting processes (Knoester, 2005 as cited by Mohammed Khalfan, 2014). 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 and assess 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) as cited by Mohammed Khalfan, (2014).

2.1.4.3 The Principal-Agency Theory

According to Chiappori and Salanie´ (2003) the underlying principle of the contract theory is that there should be a clear understanding of the needs of the principal and ability of the agent to meet these needs competently. The theory becomes significant to the study as it highlights the need for strategic planning in project contract management. When a project contract is well defined and planned, the principal and agents will find it easy to meet needs of each other in an efficient way resulting into timely execution of the projects in predetermined service level.

2.1.4.4 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) as cited in Mohammed Khalfan Amour (2014) 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.

2.1.5 The Contract Management Process

The contracting process can be analyzed using a six-phase model. These six phases include Procurement Planning, Solicitation Planning, Solicitation, Source Selection, Contract Administration, and Contract Close-out (Garrett and Rendon, 2005).

1. Procurement Planning: the process of identifying which organizational needs can be best met by procuring products or services outside the organization. This process involves determining whether to procure, how to procure, what to procure, how much to procure, and when to procure. Key process activities include conducting outsourcing analysis; determining and defining the procurement requirement; conducting market research; and developing preliminary budgets and schedules.
2. Solicitation Planning: the process of preparing the documents needed to support the solicitation. This process involves documenting program requirements and identifying potential sources.
3. Solicitation: the process of obtaining bids or proposals from prospective sellers on how organizational needs can be met.
4. Source Selection: the process of receiving bids or proposals and applying evaluation criteria to select a contractor.
5. Contract Administration: the process of ensuring that each contract party's performance meets contractual requirements.

6. Contract Closeout: the process of verifying that all administrative matters are concluded on a contract that is otherwise physically complete. This involves completing and settling the contract, including resolving any open items. Contract Closeout also includes contract termination.

2.1.6 Establishing the form of Contract

Contracts can range from a single, ad hoc agreement for the provision of a product or service of relatively low monetary value, requiring little more than a short term, formal relationship, or an overarching framework agreement, through contracts for long term product or service contracts, to a series of contracts for large, complex construction or leading edge research and development contracts with multi-million pound values requiring the establishment of strategic partnerships and alliances. (Harvey, Revised Edition 1998, cited in Ronald Kibuuka, 2014).

There are several very typical and easily identifiable steps related to contract management development within a company. The first step is simply to get the basic contract management operations established. These include such things as a centralized contract repository, appointment of person(s) responsible for each contract, a contract management handbook, company contract templates and defining required proactive alarms on the contracts (HMSO 2002, cited in Ronald Kibuuka, 2004)

The second step is to make the contracts “alive” – in other words, be part of the business. This covers issues such as contract management process, deeper involvement of business units, use of contracts in operations such as project management, and truly active use of contract management as a business tool. Finally, the third step in the process of contract management is the strategic step. As this level of development is reached your organization is able to evaluate entire organizations’ contract and partnership network from a strategic point of view. This final phase genuinely integrates contract management as a valuable tool for long-term planning, strategy formulation, and strategy implementation. (HMSO 2002, cited in Ronald Kibuuka, 2014).

Before getting started with contract management of projects, there are several considerations to be made. The most important consideration is resource allocation. For a contract management project, as for any project, it is essential to have top management commitment on resources, goals, and schedule. Another important step is the nomination of project manager for contract management.

Naturally, the goals and the schedule should be in line with the resources as well as the other way around. Once these basic preparations have been done, the project is set to get started. (HMSO 2002, cited in Ronald Kibuuka, 2014).

2.1.7 Challenges in Practicing Contract Management

One of the challenges is often how to get started with contract management. The process of preparing and launching of contract management in an organization can take years. This kind of a process should be seen as an on-going multi-step process instead of a project that can be completed in less than a year. However, contract management development is beneficial and even crucial. The good news is that after each completed sub-project contract management results in cost savings and increased profits. As contract management concept is extended to the entire organization in its' widest and purest form it will be an essential competitive edge. (Contract Life-Cycle Management – open Source CM, 2012, as cited by Ronald K (2014).

Today's business models are driving the complexity of contracts, their terms and conditions. Similarly the number of contracts is rapidly increasing. The way contracts are managed must be changed. Managing contracts manually and in an ad-hoc manner is resulting in higher risks and costs. Additionally lack of clear executive ownership of contract management issues is one of the major reasons for operational weaknesses. Contract Life Cycle Management – open Source CM, (2012), as cited by Ronald K (2014).

The achievement of an effective contract management may be hindered by various challenges. Contract managers experience a challenge regarding unforeseen work. This implies that contract management may result in work that is contrary to the contract terms and conditions. Therefore, it is essential for an organization to define its expectations clearly in the contract. The business requirements should be well documented and that people at all organizational levels and end users should be involved in the development of the requirements and documenting them in the Statement of work (Young, 2008) as cited by Cherotich Rotich Joyce 2014. Moreover, budget or timeline constraints hamper effective contract management. Contract managers often face this challenge due to unclear project scope, and unrealistic timeline and budgets. Thus, to salvage this challenge, it is important to have clearly defined scope, budget, and timeline for the contract.

Unidentified project status also limits successful contract management in an organization. This is usually experienced due to poor communication among the contract parties. To solve this, it is valuable to integrate a communication plan in the contract. This will enhance timely contract status updates.

Cherotich Rotich Joyce (2014) state that conflicts regarding payments hinders an organization from practicing proper contract management. To solve this, it is necessary to define ways and processes in the contract to penalize or award on the basis of compliance with the agreement. It is also significant to devise ways of measuring progress and set actual acceptance standards. Also point out that change can be challenging to a contract management team especially if it lacks appropriate measures of handling it. Contract management challenges include lack of cooperation and inflexibility.

2.1.8 Terms and Conditions of Good Contracts

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, it should contain mechanisms for dispute resolution and termination. The following are the basic terms and conditions for a good contract. Khalfan Amour (2014)

- 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, government acts, 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 each 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.

- 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.

2.2 Empirical Literature Review

There are various studies conducted both globally and in Ethiopia relating to contract management practice. Several initiatives have been taken by procurement and contract management practitioners to ensure that contracts are delivered within agreed terms and conditions, time and cost.

A study has been conducted in Bangladesh by Partha Pradip Sarkar 2014 on Local Government Engineering Department (LGED) practices to measure the performance of goods contract management in major development projects under LGED. The study found that in around 60% cases the public fund utilized effectively where 2-7% of total project budget is spend for procurement of goods. Which signifies that in LGED procurement practice, there is some level of efficiency in terms of Public Procurement Rule (PPR) compliance but the public fund utilized is not 100% effective and the procurement objectives, in case of goods are not 100% achieved and public resource not exclusively mobilized. In addition the researcher observed that there is no option of third party technical audit through professional technical audit team. In common practice, a pre-delivery inspection team, usually a cross functional team comprised of technical experts; procurement people and representative from the procuring entity inspect the goods before final acceptance. The researcher concludes that, in most cases of public procurement of goods, contract management performance is not that satisfactory, as a result of which the best value for money is not achieved through the contract management process.

Another research conducted by Eng Ssempebwa Kibuuka Ronald in 2015 to investigate the contract management process for outsourcing contract in Hong Kong identified the contract performance; any problems and possible improvements. The paper examines outsourcing from the perspectives of the facilities managers/ property managers, supervisors, officer, and workers. According to the aims of this dissertation, a survey conducted with different position of

organization's staff including Director, Associate Director, Facilities Manager, Property Manager, Estate Manager, Senior Property Officer, Property Officer, Estate Officer, Supervisor, In-charge, Caretaker and Technician for different scope of outsourcing contract in security service, cleaning service and pest control service of the property management field.

The researcher identified that, outsourcing has become a popular business in both internationally and within Hong Kong, to reduce risk, to save costs, to specialized expertise and technology, and to enable them to concentrate on their core business. However, this idea not only bring the convenience but also the problem to the organization, in order to obtain effective performance from the contractor, the organization have to active monitor and evaluate service provider's performance, and the service specifications and service level agreements should be set out between the service provider and customer. Finally the researcher suggested that successful outsourcing is assured only if the differing interests of all participants are balanced.

Up on many researches made in Africa about contract management practices the research made in Kenya by Cherotich Rotich Joyce in 2014 is one of them. The aim of the study was to establish the effect of effective contract management practice on operational performance of state corporations in Kenya. The specific objectives of the study were to determine the extent to which state corporations in Kenya practice effective contract management; to identify determinants of effective contract in state corporations in Kenya; to identify challenges involved in effective contract management practice in state corporations in Kenya and to establish the effect of contract management practice on operational performance in state corporations in Kenya.

The study used a descriptive, cross-sectional survey research design, with a target population of all the 187 state corporations in Kenya. It also employed a simple random sampling method with a sample size of 50 state corporations. The study findings indicated that state corporations practice effective contract management, which has a positive effect on their operational performance and also effective contract management improves operational performance of state corporations in Kenya. However, the study recommends constant training, improve contract management practices, use of adequate information systems and enhanced flexibility and risk management.

Another study made by Mayie Banyenzaki in 2016 on Contract Management Practices and Performance of The Road Construction Projects in Wakiso District, Uganda examined the use of contract management practices on performance of the road construction projects in Wakiso district. The objectives of the study were: to examine the role of monitoring intensity in enhancing performance of the road construction projects in Wakiso district; to analyze the relationship between risk management and performance of the road construction projects in Wakiso district; and, to assess the role of evaluation in enhancing performance of the road construction projects in Wakiso district.

A cross-sectional design was employed where both qualitative and quantitative methods were used in the study. The targeted sample size was 132 respondents out of a total population of 241 road construction stakeholders based on Krejcie and Morgan (1970) table for sample determination. The findings indicated that there was a significant positive relationship between monitoring intensity, risk management, evaluation and performance of road construction projects in the study context.

The performance of the road construction projects in Wakiso district was more related to the availability and use of resources which include funding, human resources and the basic raw materials used in the construction process which results into delays, cost overruns and poor quality service.

Based on these study findings the researcher recommended that Wakiso district should commit more resources to evaluation and risk management to realize higher level of service delivery in the road construction sector.

Mohammed in 2014 conducted a research on The Role of Procurement Contract Management in The Effectiveness of Project Management for the Telecommunication Companies in Tigo, Tanzania. The aim of this study is to assess the role of procurement contract management in the effectiveness of project management at Millicom International Cellular (MIC) Tanzania. Research was executed by means of questionnaires and interviews where employees from Supply Chain department and other project stakeholders were invited to share their experiences of the same.

The researcher has discovered that there is very high dependency of effective project management on suppliers' compliance with terms and conditions and close monitoring of suppliers during project implementation.

The researcher recommends MIC-Tanzania to recruit more experienced and qualified staff for its contract management function. This is because the more MIC-Tanzania improves its ability to manage its project contracts at practically every stage of project life-cycle, the more it can transform contracting into a project management competency. Therefore, contract management is essential for effective project management.

A qualitative research made in our country by Tigist Belachew in 2016 on the Assessment on the Practices of Project Contract Administration a case study of Addis Ababa Light Railway is one to be viewed in our Empirical review. The researcher came up with a major research gap of which contract administration having implications on project success. The researcher applied research questions and focused group discussion on the policies and procedures used while undertaking the bilateral cooperation project, stakeholders' identification and their roles, the levels of current contract administration together with the effectiveness and maladministration implication issues of contract administration were entertained to fulfill the objectives of the study. Besides the research used different kinds of secondary data were also greatly used. The researcher came up with a finding that following the legal bindings, keeping confidentiality, having well experienced professionals on the project doing, building strong evaluation and monitoring system had lead the Addis Ababa Light Railway Transit project to be successful with regard to the well administered contract.

In all, studies conducted on contract management related with that of project is small and those studies that have been conducted confirm that different researchers have established and made a recommendation that will support or enhance one or some of the contract management practice. In addition, there is no study conducted in relation with contract management practice of HBSC projects. Thus, this project work aim to fill the research gap in HBSC kilinto Project.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used in the study. The chapter specifically presents the project location, research design, type and source of data, data gathering instruments, population, sampling design, method of data analysis and presentation, validity and reliability of the data and finally ethical consideration of the project work .

3.2 Project Location

Kilinto Phase II Project is located near a small village named “Kilinto” about 20 KM away from the center of Addis Ababa in south Ethiopia side.

3.3 Research Design

According to Saunders, Lewis and Thornhill (2009) research design is the general plan of how the researcher will go about answering the research questions. It contains clear objectives, derived from the research question(s), specify the sources from which the researcher intends to collect data, and consider the constraints that will inevitably have as well as discussing ethical issues. The research design that was applied for this project work was descriptive research design as the study attempts to reveal the practice of project contract management in HBSC Kilinto Phase II project. According to Kothari (2004), descriptive design is concerned with describing the characteristics of a particular situation. As the research purpose was to describe a particular phenomenon at a particular point in time it was a cross-sectional study.

Creswell (2009), state that as there is more insight to be gained from the combination of both qualitative and quantitative research than either form by itself. Their combined use provides an expanded understanding of research problems. Thus, with the intention of getting the general picture of the practice of contract management, the research adopted both quantitative and qualitative research approaches (mixed research approach) in conducting the study.

3.4 Type and Source of Data

In order to get appropriate data the study employed both primary and secondary sources of data. As a primary source of data semi-structured interview and close ended questionnaire were employed which is helpful in answering questions related to the objectives study. As a secondary source of data document analysis such reports, contract records of the project, books, articles, journals and online information were investigated to supplement and to serve as the bases for the instruments and findings of the study.

3.5 Data Gathering Instruments

In order to gather firsthand information, interview and questionnaire were prepared and administered based on the review of related literature important to the subject of the study. Based on which this study employed review of project and contract documents of HBSC, interviews and questionnaires from project staffs used as a tool to collect data. The reviewed project documents and literatures were used as an input knowledge to develop an insight on contract management practice related with the project. Thus, interview and questionnaires were designed focusing on the practice of project contract management and its process.

3.6 Population of the Study

A target population is the collection of those people, events and records with the desired information for the research study from which a sample is taken (Saunders, Lewis and Thornhill. 2009). Thus, in this study the targeted population was all employees of HBSC project team. A total of 39 employees was involved in this study.

3.7 Method of Data Analysis and Presentation

The data collected was analyzed using both quantitative and qualitative methods. The data obtained using close ended questionnaires was analyzed mainly using descriptive statistics. The collected close ended questions were inserted in to SPSS version 24 software in order to make a descriptive analysis of the data, which enabled to present quantitatively using frequency and percentage. While the semi structured interview made was analyzed by organizing the common ideas and concepts of the response into a generalizable format.

3.8 Content Validity & Reliability

According to (Creswell, 2009), employing multiple data collection instruments help the researcher to combine strengthen and amend some of the inadequacies and for triangulation of the data. Accordingly, in this project work the data obtained from primary & secondary data was used and analyzed to increase the triangulation of the data process is implemented and result is analyzed and conclusion is drive from it.

3.9 Ethical Consideration

In this project work preparation, the ethical confidential documentation was implemented & taken in to account during the overall process. All the documents used during the preparation of this project work will only be used for the accomplishment of this paper. Moreover, there is no personal interest and the project worker will act professionally.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the result of the analysis of the data obtained from the respondents. The results are presented by using descriptive statistics. To analyze the collected data with that of the objective set for this research, Statistical procedures were carried out using SPSS Statistics version 24. In order to examine the practice and make workable recommendations for the raised gaps concerning HBSC Kilinto phase II project contract management practice, the researcher has collected data through close ended questionnaire, semi structured interview and project documents.

4.2. Overview of Heineken Kilinto phase II Project

The scope of the project was to expand 1.5 million HL per year technical capacity of production to 3 million HL per year production capacity. The project includes purchase and installation of equipment's for beer production, packaging and utilities (Compressed Air plant, CO₂, cooling, steam, Power distribution, water treatment plant and waste water treatment plant) and the construction of civil works includes (Earth works, Foundation works, Main buildings, Prefab buildings, Tiles & Gutters and additional buildings for production, warehouse, utilities, infrastructure and waste water treatment plant). Project data book (2015). The constriction of the brewery were planned to finalize within one year but it took one and half year to finalize the project. Project report (2017)

4.3 Descriptive Statistics and Respondents Profile

The questionnaire developed using five scales ranging i.e, Linkert scale; where 1 represents strongly disagree, 2 Disagree, 3 Uncertain, 4 Agree and 5 Strongly Agree. Among the 100% questionnaires that were distributed to project team 38 (97.43%) questionnaires were filled and collected. Descriptive statistics were used to analyze the 38 questionnaires collected. The collected questionnaires are inserted in to SPSS version 24 in order to make a descriptive analysis of the data, which enabled to present using frequency and percentage. In order to have more insight into

the study regarding the practice of contract management practice, semi-structured interview was conducted with the project manager and installation manager. The questionnaire and the interview questions used are attached to this project work under Appendix section.

4.4 Background of the Respondents

The respondents were asked about their sex, age, level of education and related experience in project and contract management.

Table 4.1: The gender of the respondents

		Gender		
		Frequency	Percent	Valid Percent
Valid	Male	25	65.8	65.8
	Female	13	34.2	34.2
	Total	38	100.0	100.0

Source: Own survey, 2018

On gender distribution of the respondents, the study found that 34.2% of respondents were female and 65.2% of the respondents were male. From this finding the gender distribution is not proportional.

Table 4.2: The age group of the respondents

		Age group		
		Frequency	Percent	Valid Percent
Valid	Below 25 years	8	21.1	21.6
	26 to 35 years	19	50.0	51.4
	36 to 45 years	6	15.8	16.2
	45 Above years	4	10.5	10.8
	Total	37	97.4	100.0
Missing	-1	1	2.6	
Total		38	100.0	

Source: Own survey, 2018

The results (Table 4.2) shows that 8 respondents (21.6% of respondents) are below the age of 25, 19 respondents (51.4% of respondents) were between the age of 26-35 years, 6 respondents (16.2% of respondents) were between the ages of 36-45 years. The remaining 4 respondents (10.8% of respondents) were 46 years old and above. This shows that data was collected from mature people who would freely express their opinions and view in relation to contract management practice of HBSC Kilinto phase II project.

Table 4.3: The respondents' qualification

		Level of education		
		Frequency	Percent	Valid Percent
Valid	Diploma	2	5.3	5.3
	BA/BSc	22	57.9	57.9
	MA/MSc	14	36.8	36.8
	Total	38	94.7	100.0

Source: Own survey, 2018

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. The educational level of the respondents as indicated under item 3, 57.9% of the respondents hold a first degree, 36.8% holds a second degree and the remaining 2 respondents (5.3% of respondents) hold diploma. Based on this respondents could easily interpret the research instruments for reliable findings.

Table 4.4: Respondents work experience

		Related Work experience		
		Frequency	Percent	Valid Percent
Valid	Below 1 year	4	10.5	10.5
	2 to 5 years	19	50.0	50.0
	6 to 10 years	11	28.9	28.9
	10 years Above	4	10.5	10.5
	Total	38	97.4	100.0
Total		38	100.0	

Source: Own survey, 2018

As the Table 4.4 here above shows related experience of respondents in relation to contract management. 50% of them had 2 to 5 years of related work experience. The mid-level staffs have taken the highest percentage shares of the project staffs. The next are senior staffs of that are in between 6 to 10 years of work experience with count 11 or percentage of 28.9. Finally professionals with above 10 years and juniors below 1 year of work experience are counted 4, 10.5% each. These distributions implied that most of the respondents are well experienced and had closer know how on the contract management practice of HBSC Kilinto phase II project. Combination of this professionals give ample response to the information been sought which further validate the outcome of the analysis.

4.5 General Project Contract Management Issues

4.5.1 Project teams are aware of the importance of project contract management in the project

Table 4.5: Project teams aware on importance of project contract management in the project

		Frequency	Percent	Valid Percent
Valid	Agree	5	13.2	13.2
	Strongly Agree	33	86.8	86.8
	Total	38	100.0	100.0

Source: Own survey, 2018 SPSS version 24 outputs

As the above table 4.5 shows the respondents response for the question project teams are aware of the importance of project contract management in the project. 86.8% of the respondents are strongly agreed and 13.2% of them agreed the awareness of the project team about importance of project contract management. So we can conclude that the project teams are aware about the importance of project contract management. Most of the project team members have related experience in contract management so that the awareness may come from their related work experience.

4.5.2 Regular training on contract management is necessary for building awareness of the team about effective contract management practice

Table 4.6: Necessity of regular training

		Frequency	Percent	Valid Percent
Valid	Agree	3	7.9	7.9
	Strongly Agree	35	92.1	92.1
	Total	38	100.0	100.0

Source: Own survey, 2018 SPSS version 24 outputs

As the above Table 4.6 shows 92.1% of the respondents strongly agreed and 7.9% of them agreed about the requirement of regular training for building awareness of the team about effective contract management practice. Current business environment is dynamic and need to be flexible and adaptive to changes so that regular trainings are important in order to build the capabilities of project team. Therefore, it can be concluded that regular training on contract management is necessary for building awareness of the team in effective contract management practice.

4.5.3 Regular training is provided to the concerned project team on contract management

Table 4.7: Availability of regular training on contract management

		Frequency	Percent	Valid Percent
Valid	Strongly Disagree	3	7.9	7.9
	Disagree	25	65.8	65.8
	Uncertain	10	26.3	26.3
	Total	38	100.0	100.0

Source: Own survey, 2018 SPSS version 24 outputs

According to table 4.7 implies 65.8% of the respondents showed their strong disagreement with if regular trainings provided to the concerned project team on contract management and 7.9% of the respondents strongly disagreed. The remaining 26.3% of respondents are uncertain. In addition to the questionnaire, based on interview conducted with the project manager it was realized that less priority have been given on training of contract management. Implying that the related project and procurement team members might not acquire necessary or updated contract management practices recurrently.

4.5.4 There are documented policies and procedures for project contract management

Table 4.8: Policies and procedures for project contract management

		Frequency	Percent	Valid Percent
Valid	Uncertain	6	15.8	15.8
	Agree	24	63.2	63.2
	Strongly Agree	8	21.1	21.1
	Total	38	100.0	100.0

Source: Own survey, 2018 SPSS version 24 outputs

As above table 4.8 indicates the respondents' response for the presence of documented policies and procedures for project contract management. 63.2% of the respondents are agreed, 21.1% of them are strongly agreed and 15.8% of the respondents are neutral. Since Heineken is a multinational organization and have ample experience in different projects. There are already designed policies and procedures and also the result of the respondents shows the availability of documented policies and procedures for projects contract management.

4.5.5 There is a standardized project contract management process in place

Table 4.9: Standardized processes in contract management

		Frequency	Percent	Valid Percent
Valid	Uncertain	7	18.4	18.4
	Agree	30	78.9	78.9
	Strongly Agree	1	2.6	2.6
	Total	38	100.0	100.0

Source: Own survey, 2018 SPSS version 24 outputs

As showed in above table 4.9, 78.9% agreed and 2.6% of the respondents strongly agreed that there is standardized project contract management process in place while the remaining 18.4% were uncertain. The interviewee's response supported this same result. This implies that the project have designed standardized processes for project contract management.

4.5.6 The contract clauses are understood by the Management and the Project Team

Table 4.10: contract Clauses

		Frequency	Percent	Valid Percent
Valid	Strongly Disagree	1	2.6	2.6
	Disagree	1	2.6	2.6
	Uncertain	1	2.6	2.6
	Agree	27	71.1	71.1
	Strongly Agree	8	21.1	21.1
	Total	38	100.0	100.0

Source: Own survey, 2018 SPSS version 24 outputs

Table 4.10 illustrates that 71.1% of the respondents are agreed that the contract clauses are understood by the management and project team and 21.1% of them are strongly agreed. In total 92% of respondents were in argument of the above statement. On the other side 2.6% of respondents replied strongly disagree, disagree and uncertain each. Due to the fact that most of project staffs refer contracts and used for their functional works. i.e (finance employees review contract before they made a payment, project managers and procurement offices prepare it ...etc) they have understanding about the contract clauses. The response of the respondents also support this statement.

4.5.7 The company standard template has been used as the basis for the project contractual agreement

Table 4.11: Adaptation of standard template for project contractual agreement

		Frequency	Percent	Valid Percent
Valid	Uncertain	3	7.9	7.9
	Agree	24	63.2	63.2
	Strongly Agree	11	28.9	28.9
	Total	38	100.0	100.0

Source: Own survey, 2018 SPSS version 24 outputs

Regarding to the question presented to the respondents if the company standard template has been used as the basis for the project contractual agreement. 63.2% of the respondents were agreed and 28.9% of respondents strongly agreed. The remaining 7.9 % of respondents were uncertain. Furthermore, the interviews have confirmed the same and revealed that they used designed

template as a benchmark for preparation of contractual agreements. Based on the majority response of the respondents and the confirmation of interviews it can be concluded that standard templates has been used for project contractual agreement.

4.6 Contract Terms and Conditions

4.6.1 Terms and conditions are clearly stated in the project contract

Table 4.12: Clarity of terms and Conditions

		Frequency	Percent	Valid Percent
Valid	Disagree	1	2.6	2.6
	Uncertain	4	10.5	10.5
	Agree	21	55.3	55.3
	Strongly Agree	12	31.6	31.6
	Total	38	100.0	100.0

Source: Own survey, 2018 SPSS version 24 outputs

Table 4.12 illustrates regarding to the question presented to the respondents if terms and conditions are clearly stated in the contract. 55.3% of the respondents agreed and 31.6% of the respondents are strongly agreed. While 10.5% and 2.6 % of the respondents uncertain and disagreed respectively. The HBSC used standard templates for contractual agreements in which all terms and conditions are stated. Based the response of the majority respondents we can conclude that terms and conditions are clearly stated in the contract.

4.6.2 All contractual obligations with contractors and suppliers have been reflected in the contracts and are properly synchronized

Table 4.13: contractual obligations

		Frequency	Percent	Valid Percent
Valid	Disagree	1	2.6	2.6
	Uncertain	7	18.4	18.4
	Agree	26	68.4	68.4
	Strongly Agree	4	10.5	10,5
	Total	38	100.0	100.0

Source: Own survey, 2018 SPSS version 24 outputs

Table 4.13 illustrates regarding to the question presented to the respondents if All contractual obligations with contractors and suppliers have been reflected in the contracts and are properly synchronized. 68.4% of the respondents agreed and 18.4% of the respondents are uncertain disagreed. While 10.5% and 2.6 % of the respondents strongly agreed and disagreed respectively. This question is more or less similar wit the previous statement. However the previous one is about clarity of terms and condition for ease of understanding whereas the above is about inclusiveness of all necessary terms and obligations in the contract. i.e. (delivery dates, project cost, extensions, warranty periods, licenses etc.) Based the response of the majority respondents it can be conclude that contractual obligations with contractors and suppliers have been reflected in the contracts and are properly synchronize.

4.6.3 The goods and services are delivered by suppliers as per agreed time schedule in the contract

Table 4.14: Timely delivery of goods and services

		Frequency	Percent	Valid Percent
Valid	Strongly Disagree	4	10.5	10.5
	Disagree	18	47.4	47.4
	Uncertain	11	28.9	28.9
	Agree	3	7.9	7.9
	Strongly Agree	2	5.3	5.3
	Total	38	100.0	100.0

Source: Own survey, 2018 SPSS version 24 outputs

Table 4.14 here above demonstrates the respondents' response to the question that if the goods and services are delivered by suppliers as per agreed time schedule in the contract. 47.4% of the respondents disagreed, 28.9% uncertain, 10.5% strongly disagree and the remaining 7.9% and 5.3% respondents are agreed and strongly agreed respectively. The information collected from the interview further elaborated that the existence of delay in delivery and it is mainly due to weather conditions, poor planning of work, market fluctuation, requirement change and additional orders and discrepancies on drawing and other issues. This shows that the suppliers does not delivered as per the time schedule agreed in the contract.

4.6.4 The penalties and charges stated in terms and conditions are applied for late deliveries of goods and services by supplier

Table 4.15: Penalties and charges for late by Supplier

		Frequency	Percent	Valid Percent
Valid	Strongly Disagree	10	26.3	26.3
	Disagree	25	65.8	65.8
	Uncertain	3	7.9	7.9
	Total	38	100.0	100.0

Source: Own survey, 2018 SPSS version 24 outputs

Table 4.15 depicts if the penalties and charges stated in terms and conditions are applied for late deliveries of goods and services by suppliers. 65.8% of the respondents are replied as they disagree, 26.3% of the respondents strongly disagreed and 7.9% of them are neutral. In addition to this result the interviewee responded that to smooth the relationship with the contractors and in order to avoid unnecessary conflicts and misunderstandings, HBSC were not penalized the contractors for late deliveries rather meetings and discussions held to discuss about the reasons of the delay in order to take a lesson for the future. However, projects are not a learning ground. Delays have a crucial impact in the success of the project and it has also cost implications for the company. Due to late delivery of the contractors and suppliers, the project operation date also delayed so that the company might lose revenue by not starting operation on time. Therefore, it can be conclude that the suppliers are not penalized for the delay as per it is stated in the contract terms and conditions. This implies there is a gap to take action on late deliveries of goods and services.

4.6.5 The company pays the contractors as per the time stated in terms and conditions of the contract

Table 4.16: Payment terms

		Frequency	Percent	Valid Percent
Valid	Strongly Disagree	2	5.3	5.3
	Disagree	19	50.0	50.0
	Uncertain	8	21.1	21.1
	Agree	9	23.7	23.7
	Total	38	100.0	100.0

Source: Own survey, 2018 SPSS version 24 outputs

According to table 4.16 illustrates 50% of the respondents are disagreed and 23.7% of the respondents agreed that the company pays the contractors as per the time stated in terms and conditions of the contract. However, 21.1% of the respondents responded uncertain and the remaining 5.3% of respondents strongly disagreed. Furthermore, the interviews have confirmed that the approval process may take longer time and once it is approved the finance department also need some time to process the document due to this the payments a made a bit delayed. Therefore, it can be concluded that there is a late payment by HBSC.

4.6.6 The penalties and charges stated in terms and conditions are applied for late payments made by the company

Table 4.17: Penalties and charges for late payments

		Frequency	Percent	Valid Percent
Valid	Strongly Disagree	11	28.9	28.9
	Disagree	25	65.8	65.8
	Uncertain	2	5.3	5.3
	Total	38	100.0	100.0

Source: Own survey, 2018 SPSS version 24 outputs

Table 4.17 indicates the respondent's response for the question about if penalties and charges stated in the terms and conditions are applied for late payments made by the company. 65.8% of respondents were disagreed and 28.9% of the respondents strongly disagreed that applicability of penalties and charges stated in terms and conditions for late payments made by the company while the remaining 5.3% were uncertain. In addition to this result the interviewee responded that the contractors and suppliers dose not claim a penalties for the late payment made even if it is clearly stated in contract. Contractors and suppliers want to strengthen their relationship with big companies and HBSC is one of the big company in Ethiopia. So that they usually doesn't claim for late payments.

4.7 Project Contract Monitoring

4.7.1 Contractor's performance of the project was measured on time

Table 4.18: contractor's performance measurement

		Frequency	Percent	Valid Percent
Valid	Strongly Disagree	2	5.3	5.3
	Disagree	18	47.4	47.4
	Uncertain	11	28.9	28.9
	Agree	3	7.9	7.9
	Strongly Agree	4	10.5	10.5
	Total		38	100.0

Source: Own survey, 2018 SPSS version 24 outputs

Table 4.18 indicates the respondents' responses about the question if contractor's performance are measured on time. 47.4% of respondents were disagreed and 10.7% of the respondents strongly agreed that the Contractor's performance are measured on time. While the remaining 28.9% were uncertain. The remaining 7.9% & 5.3% of respondents respond agree and strongly disagree respectively. As well the interviewee responded to this point in that usually monitoring and controlling takes place after it's too late to take corrective action and when a problem is seen in nearby to exist. Thus, the result shows that Contractor's performance was not measured on time and it creates a difficulty to take timely corrective actions.

4.7.2 There is a formal contract with every suppliers/contractors for all goods and services procured for the project

Table 4.19: Availability of contract

		Frequency	Percent	Valid Percent
Valid	Strongly Disagree	4	10.5	10.5
	Disagree	14	36.8	36.8
	Uncertain	7	18.4	18.4
	Agree	10	26.3	26.3
	Strongly Agree	3	7.9	7.9
	Total		38	100.0

Source: Own survey, 2018 SPSS version 24 outputs

Table 4.19 illustrates 36.8% disagree, 26.3% agree and 18.4% uncertain, 10.5% strongly disagree and 7.9% strongly agree in that availability of contract for all procured goods and service. Based

on the interview with the project manager, there are some works given to the contractor usually this works are additional works and also some contracts are signed after the start of the construction. Therefore we can conclude that some works are done without or before having a formal contract and also it shows that there is a high risk due to starting a construction prior to signing the contract.

4.7.3 There are different variation orders involved in a project

Table 4.20: Existence of different variation orders

		Frequency	Percent	Valid Percent
Valid	Uncertain	2	5.3	5.3
	Agree	25	65.8	65.8
	Strongly Agree	11	28.9	28.9
	Total	38	100.0	100.0

Source: Own survey, 2018 SPSS version 24 outputs

Table 4.20 shows 65.8% of the respondents are agreed and 28.9% of them strongly agreed with existence of different variation orders involved in a project. 5.3% of the respondents are replied as uncertain. In which the interviewees revealed that there were additional orders given to the contractors. Some works were not a part of the original plan and others needs some modification due to plan changes. So that it can be generalized that there are different variation orders in the project takes place. This escalate the project cost and HBSC loses cost savings by not including these works in the original contract for the fact that the price of bulk orders and separate individual orders are quite different,

4.7.4 All Variation orders on the project are managed as per the procedure

Table 4.21: Management of Variation orders

		Frequency	Percent	Valid Percent
Valid	Strongly Disagree	2	5.3	5.3
	Disagree	19	50.0	50.0
	Uncertain	8	21.1	21.1
	Agree	7	18.4	18.4
	Strongly Agree	2	5.3	5.3
	Total	38	100.0	100.0

Source: Own survey, 2018 SPSS version 24 outputs

Table 4.21 is about if all Variation orders are managed as per the procedure, 50% of the respondents were in disagreement and 18.4 agreed. 21.1% of respondents were uncertain if change

orders were managed as per the procedure the remaining 5.3% each of them strongly disagree and strongly agreed. Based on the majority response they disagree to the statement that implies change orders were managed as per the procedure within the project. As well the interviewee responded to this point that, usually the order variations were given to the supplier when the works are urgent so that the additional works usually awarded based on email or informally. Therefore, it can be concluded that the project does not follow a formal procedure for order variation.

4.7.5 There are significant delays involved in the project delivered goods and services

Table 4.22: Existence of significant delays

		Frequency	Percent	Valid Percent
Valid	Agree	25	65.8	65.8
	Strongly Agree	13	34.2	34.2
	Total	38	100.0	100.0

Source: Own survey, 2018 SPSS version 24 outputs

Regarding to the question presented to the respondents if there are significant delays involved in the project delivered goods and services. 65.8% of the respondents were agreed and the remaining 34.2% of respondents were agreed. This shows that all respondents are in agreement about significant delays involved in the project good and service delivery. Therefore it can be described that there were significant delays on delivery. Some delays were due to the performance of the contracts and the variation and additional orders made by HBSC also contributed for the delay in delivery.

4.7.6 There is a resolution mechanism for determining if changes are observed within the scope of the contract

Table 4.23: resolution mechanism for determining changes

		Frequency	Percent	Valid Percent
Valid	Strongly Disagree	2	5.3	5.3
	Disagree	26	68.4	68.4
	Uncertain	8	21.1	21.1
	Agree	2	5.3	5.3
	Total	38	100.0	100.0

Source: Own survey, 2018 SPSS version 24 outputs

Table 4.23 illustrated the response of respondents if there is a resolution mechanism for determining if changes are observed within the scope of the contract. 68.4% of the respondents were disagreed, 21.1% uncertain and the 5.3 % agree and strongly disagree each. Thus, it can be concluded that there is a gap monitoring and controlling of change orders whether it is a part of a contract or not and this might have also cost impact on the project. Chang orders should be first to be identified if it is a part of a contract or not. Because it might be an additional cost for the company to pay additional payment for works that was a part of a contract.

4.7.7 Significant cost over or loss of cost savings is observed due to lack of proper contract management practice

Table 4.24: Cost overrun due to lack of proper contract management practice

		Frequency	Percent	Valid Percent
Valid	Disagree	7	18.4	18.4
	Uncertain	4	10.5	10.5
	Agree	26	68.4	68.4
	Strongly Agree	1	2.6	2.6
	Total	38	100.0	100.0

Source: Own survey, 2018 SPSS version 24 outputs

Table 4.24 shows regarding to the question presented to the respondents if Significant cost over or loss of cost savings is observed due to lack of proper contract management practice. 68.4% of the respondents were agreed and 18.4% of respondents were disagreed. while 10.5% of respondents uncertain and the remaining 2.6% were in strong agreement This shows that major respondents are in agreement about Significant cost over or loss of cost savings is observed due to lack of proper contract management practice. Poor monitoring, delays in delivery, and existence of different change and additional orders might have significant influence in the cost of the project

4.7.8 There is effective utilization of project budget and resource in contracting

Table 4.25: Effective utilization of project budget and resource

		Frequency	Percent	Valid Percent
Valid	Strongly Disagree	2	5.3	5.3
	Disagree	21	55.3	55.3
	Uncertain	11	28.9	28.9
	Agree	4	10.5	10.5
	Total	38	100.0	100.0

Source: Own survey, 2018 SPSS version 24 outputs

Table 4.25 shows the respondent's response for the question if there is effective utilization of project budget and resource in contracting, 55.3% of respondents were disagreed and 28.9 % of respondents were uncertain, 10.5% were agreed and the remaining 5.3% of the respondents strongly disagree. As we have showed in previous sections, significant cost overrun or loss of cost savings was encountered as well as there was different order variations. This has highly affect the cost of the project and effective utilization of the project budget. Thus, the result shows that there is poor utilization of project budget and resource in contracting.

4.8 Project Contract Closure

4.8.1 The project has a clear defined process for closing the Contract

Table 4.26: Contract closing process

		Frequency	Percent	Valid Percent
Valid	Strongly Disagree	1	2.6	2.6
	Disagree	5	13.2	13.5
	Uncertain	6	15.8	16.2
	Agree	25	65.8	67.6
	Total	37	97.4	100.0
Missing	-1	1	2.6	
Total		38	100.0	

Source: Own survey, 2018 SPSS version 24 outputs

Table 4.26 illustrates from the total respondents 67.6% agreed, 16.2% uncertain, 13.5% disagreed and 2.6% strongly disagreed in that contract are closed under a defined process. In addition the interviews confirmed that the existence of clear project contract closure process. First, the consulting firm prepares a snag list of remaining works with conditions with other stake holders

and the contractor maintain detects and the final snag list prepares. And then Provisional acceptance of project is done by the HBSC and finally, Final acceptance done by checking the performance in defect liability period. Then the retention payments released based on the acceptance of the test. Formal contract closing helps to verify that all requirements have been delivered and completed accordingly to the contract.

4.8.2 Contract closing was made on the right time or as per planed

Table 4.27: Controlling of contract performance

		Frequency	Percent	Valid Percent
Valid	Strongly Disagree	1	2.6	2.6
	Disagree	18	47.4	47.4
	Uncertain	8	21.1	21.1
	Agree	9	23.7	23.7
	Strongly Agree	2	5.3	5.3
	Total	38	100.0	100.0

Source: Own survey, 2018 SPSS version 24 outputs

Table 4.27 shows that if contract closing was made on the right time, 47.4% of the respondents disagreed and 23.7% were agreed. 21.1% of respondents were uncertain, 5.3% respondents were strongly disagreed and 2.6% strongly agreed. Furthermore, the interviews elaborated that usually the contract closure was not done as per the planning. Some deliverables were urgently needed for production so that it started operation prior to contract closure and also sometimes the performance tasting takes quite longer than the planed time so that the final payments were held for couple of months and the closure also delayed. These and other issues have been delaying the contract closure. There for the result of the respondent showed that as there is a gap in contract closure.

4.8.3 The closing of the contract controls and certifies that both contracting parties have honored their contractual responsibilities

Table 4.28: Fulfilment of contractual responsibilities

		Frequency	Percent	Valid Percent
Valid	Strongly Disagree	6	15.8	15.8
	Disagree	2	5.3	5.3
	Uncertain	6	15.8	15.8
	Agree	24	63.2	63.2
	Total	38	100.0	100.0

Source: Own survey, 2018 SPSS version 24 outputs

Regarding to the question presented to the respondents if the closing of the contract controls and certifies that both contracting parties have honored their contractual responsibilities, 63.2% of the respondent's agreed and 15.8% respondents were uncertain strongly disagreed, 15.8% of respondents were uncertain and the reminding and remaining 5.3% are disagreed. Therefore, based on the majority response of respondents it can be concluded that the contract closure certifies the fulfilment of contractual responsibilities of both parties

4.9 Contract Documentation

4.9.1 There is proper contract documentation practice in place

Table 4.29: Documentation Practice

		Frequency	Percent	Valid Percent
Valid	Strongly Disagree	2	5.3	5.3
	Disagree	17	44.7	44.7
	Uncertain	9	23.7	23.7
	Agree	6	15.8	15.8
	Strongly Agree	4	10.5	10.5
	Total	38	100.0	100.0

Source: Own survey, 2018 SPSS version 24 outputs

Table 4.29 shows the respondent's response for the question if there is proper contract documentation practice in place. 44.7% of respondents were disagreed and 15.8% of the respondents agreed that proper contract documentation practice in the project while the remaining 23.7% were uncertain. The remaining 10.5% & 5.3% of respondents respond strongly agree and strongly disagree respectively. Thus, the result shows that there is poor contract documentation in place. Due to poor documentation, the project teams might lost their valuable time in order to find the required contract document.

4.9.2 All contracts can be easily accessed by concerned and authorized stakeholders

Table 4.30: Easily accessibility of the contract document

		Frequency	Percent	Valid Percent
Valid	Strongly Disagree	1	2.6	2.6
	Disagree	22	57.9	57.9
	Uncertain	7	18.4	18.4
	Agree	6	15.8	15.8
	Strongly Agree	2	5.3	5.3
	Total	38	100.0	100.0

Source: Own survey, 2018 SPSS version 24 outputs

Table 4.30 shows the respondent's response for the question if all contracts can be easily accessed concerned and authorized stakeholders. 57.9% of respondents were disagreed, 18.4% of respondents were uncertain, 15.8% of respondents were agreed and the remaining 5.3% and 2.6% of the respondents strongly agreed and strongly dis agreed respectively. This is highly relate with the above question. If there is poor documentation it is not be accessed easily. The result of the respondents also supported this.

4.9.3 Contract audit (i.e, lessons learned, documented successes and failures) of the project is documented.

Table 4.31: Contract audit and lesson learned

		Frequency	Percent	Valid Percent
Valid	Strongly Disagree	1	2.6	2.6
	Disagree	19	50.0	50.0
	Uncertain	11	28.9	28.9
	Agree	5	13.2	13.2
	Strongly Agree	2	5.3	5.3
	Total	38	100.0	100.0

Source: Own survey, 2018 SPSS version 24 outputs

Table 4.31 shows the respondent's response for the question if Contract audit (i.e, lessons learned, documented successes and failures) of the project is documented. 50% of respondents were disagreed and 13.2% of the respondents agreed while the remaining 28.9% were uncertain. The remaining 5.3% & 2.6% of respondents respond strongly agree and strongly disagree respectively. Documenting lessons learned and contract audits have important contribution for the current and future projects. It can lead the project team by showing the challenges and possible overcome ways. Based on the response of majority respondent there was poor documentation in relation to contract audit and lessons learned.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

The project work has come a long way discussing project contract management issues with an ultimate objective clearly stated in section 1.3 of the introduction part, as to assess the practices of contract management practice. In light of this, the project work is meant for to assess the level of implementation of contract management practice based on the policies & procedures, adherence of terms and conditions & documentation of contracts, & monitoring and closure of the contract. To achieve these objectives, the study used literature review, project reports, interview and closed ended questioner as a research instrument where descriptive analysis was made. The data obtained through questionnaire was analyzed quantitatively using SPSS 24 software.

Finally, the data collected from the respondents were analyzed; interpreted and major findings are summarized and presented in a way that, the objective of the study set out were addressed within the findings summarized as follows.

5.1 Summary of Findings

In this project work the analysis done on general issues of project Contract management revealed that majority of the respondents are in agreement with that the project operates under a standardized project contract management practice in that there is documented policies and procedures and a formal contract management process in place. Even though the project teams are aware of the importance of contract management in the project, lack regular trainings.

Terms and conditions were clearly stated in the contracts. But it is not followed and implemented properly. There was a significant delay in the project delivery but the contractor did not penalized for the late delivery of the good and services. On the other hand company also does pay noting for the late payments made after the stated time in the payment terms.

In contract monitoring Contractor's performance were not measured on time so that timely corrective actions not taken and also different variation orders involved in a project but not managed and monitored as per the procedure.

In regard to controlling and closing practice of contract the result from the response reveals that there is clear process for controlling and closing. But there was a gap in implementation of this processes. I.e. closure of a contract were not done on the right time. Moreover, the contract documents were not easily accessible by the concerned and authorized stakeholders as well as documentation on lessons learned and contract audit was poorly managed.

5.2 Conclusions

Based on the findings and data analysis of the project work, the following conclusions were drawn on the practice of project contract management. There is standardized process, templates and procedures on paper in relation to the project contract management. But the problem was implementation of these standardized processes. Some works were executed based on formally entered contracts on the other hand there were significant amount of work done without a formal contract or the contract takes place at the middle of the work execution. This affects the effective utilization of the project budget. Terms and conditions was clearly stated in the contract. But it were not honored by both contracting parties and also some terms and conditions not implemented according to the contract.

Finally, from the study it can be concluded that there is poor monitoring and implementation undertaken in regard to the contract management practice applied as to what was in the procedure and standards. Due to this taking a timely corrective action has been difficult to undertake for delays and loss of savings and also current and future contract management practice can't take lessons from what has been occurred currently or in the past as there lacks documentation of lesson learned.

5.3 Recommendations

The practice of project contract management in HBSC Kilinto phase II project shows a deviation with that of theoretical aspect of the knowledge area. On which to overcome this deviation and improve the contract management practice of current and future project, this project work recommends the following specific actions to be undertaken:

- In general training should be provided to the project teams on current project contract management processes and strategies, as it will enable to develop their knowledge and increase their productivity when in need.
- Contracts should be passed necessary steps and get signed before the work execution.
- Terms and conditions of a contract should be seriously followed and implemented, regular reviews should be made and actions must be taken in order minimize the risk of the failure in project delivery.
- Contract documents should be compiled and saved in the system in which concerned and authorized stakeholder can get easily. It will save valuable time of the project team.
- Through confirming that all contract requirements defined for the project and agreed upon are delivered accordingly, contract can be formally closed. This can be done through updating records to get final result as it certifies what has been done and gives a chance to deal unfinished issues and to close the contract.

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APPENDIX



ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE
DEPARTMENT OF PROJECT MANAGEMENT

Dear Participants:

My name is Alemayehu, I am MA student in Project Management at Addis Ababa University School of Commerce. As part of my MA requirement, I am doing project work entitled: “Practices of Project Contract Management in Heineken Breweries Share Company: The Case of Kilinto Phase 2 project.

I kindly request you to participate in this project work by completing the attached questionnaire. In order to ensure that all information will remain confidential please do not include your name anywhere in the questionnaire. I also sincerely request you to respond to the questions as honestly as possible and return the completed questionnaires.

Your willingness and cooperation in giving reliable information is well appreciated and the information you provide will be used for academic purpose and will be kept strictly confidential.

Knowing that your time is valuable please, take few minutes of your time to complete the questionnaire.

In case of any question please contact me via Alex.lakew22@gmail.com/+251-913-687879.

Thank you in advance for your co-operation.

Sincerely, Alemayehu Lakew

General Instructions

- There is no need of writing your name
- In all cases where answered options are available please tick (X) in the appropriate box

Part I: demographic information

1. Sex Male Female
2. Age Below 25 26–35 36-45 above 45
3. Educational background Diploma BA/BS MA/MSC PHD
4. Work experience < 1 2-5 6-10 Above 10

Part II: Project contract management practice

Please indicate by ticking the extent to which you agree with the following statements.

Key:

- 1 Strongly Disagree
- 2 Disagree
- 3 Uncertain
- 4 Agree
- 5 Strongly Agree

1. General Project Contract Management Issues						
	Indicator	1	2	3	4	5
1	Project teams are aware of the importance of project contract management in the project.					
2	Regular training on contract management is necessary for building awareness of the team about effective contract management practice.					
3	Regular training is provided to the concerned project team on contract management					
4	There are documented policies and procedures for projects contract management.					

5	There is a standardized project contract management process in place					
6	The contract clauses are understood by the Management and the Project Team.					
7	The company standard template has been used as the basis for the project contractual agreement					
2. Contract terms and conditions						
	Indicator	1	2	3	4	5
8	Terms and conditions are clearly stated in the contract.					
9	All contractual obligations with contractors and suppliers have been reflected in the contracts and are properly synchronized (e.g., delivery dates, project cost, extensions, warranty periods, licenses)					
10	The goods and services are delivered by suppliers as per agreed time schedule in the contract.					
11	The penalties and charges stated in terms and conditions are applied for late deliveries of goods and services by supplier.					
12	The company pays the contractors as per the time stated in terms and conditions of the contract.					
13	The penalties and charges stated in terms and conditions are applied for late payments made by the company.					
3. Project Contract monitoring						
	Indicator	1	2	3	4	5
14	Contractor's performance are measured on time					
15	There is a formal contract with every suppliers/contractors for all goods and services procured for the project.					
16	There are different variation orders involved in a project.					
17	All Variation orders are managed as per the procedure.					
18	There are significant delays involved in the project delivered goods and services.					
19	There is a resolution mechanism for determining if changes are observed within the scope of the contract					
20	Significant cost over or loss of cost savings is observed due to lack of proper contract management practice					
21	There is effective utilization of project budget and resource in contracting					
4. Project Contract Closure						
	Indicator	1	2	3	4	5
22	The project has a clear defined process for closing the Contract.					
23	Contract closing was made as per the planed time.					
24	The closing of the contract controls and certifies that both contracting parties have honored their contractual responsibilities					
5. Contract Documentation						
	Indicator	1	2	3	4	5
25	There is proper contract documentation practice in place					
26	All contracts can be easily accessed by concerned and authorized stakeholders					
27	Contract audit (i.e, lessons learned, documented successes and failures) of the project is documented.					

Interview Guide for Project Manager and Site Manager

Dear Interviewee,

First of all I would like to thank you for your willing's to respond to my questions. My name is Alemayehu Lakew, I am a Masters of Art student in Project Management at Addis Ababa University School of Commerce. As part of my MA project work, I am studying the project contract management practice in real projects and I have taken the case of Heineken Kilinto phase II project for my study. This interview is made so as to have more in depth on the matter under study.

Thus, I kindly request you to answer all the questions assuring you that all responses will be used only as an input for this study.

1. Do you have a standardized/formal documented contract management /process for Projects?
2. How is contract management conducted?
3. What kind of mechanism do you use to monitor and control procurement contract status?
4. When/ how is contract said to be closed?
5. What are the major challenges have you faced in contract management process?