

**The Impact of Contract Governance on the Efficiency of Real Estate
Development Projects - A Case Study of Saudi Real Estate Development
Companies**

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العام الدراسي:

2025

مقدمة:

Saudi Arabia's real estate sector is now one of the fastest growing and most important markets in the Middle East. In the last ten years, it has become a key part of Vision 2030, which aims to diversify the economy, bring in investment, and raise living standards. Major projects like NEOM, ROSHN, Qiddiya, and MASAR are changing the country's cities and economy. Because these projects are large and complex, strong governance and good project management are necessary. They involve big investments and many stakeholders, including shareholders, investors, contractors, consultants, and government entities.

Contract governance means having a clear set of policies and procedures for preparing, carrying out, and monitoring contracts. It helps make sure that responsibilities are clearly assigned, decisions are properly approved, and all contract obligations are met within set limits.

Strong governance helps make projects more transparent, fair, and accountable, especially when financial, technical, and regulatory issues come together. It links big-picture goals with daily work, making sure projects finish on time, stay within budget, and meet quality standards. If governance is weak, poor communication, slow decisions, and badly managed changes can make projects less likely to succeed.

Many organizations have set up internal governance systems and rules for who can make decisions. However, these systems are not always used the same way. Some employees are not sure about their authority or do not follow the right documentation steps. This can lead to delays, extra costs, and inefficiencies that hurt the organization's reputation.

As Saudi Arabia continues to develop, it needs to attract both local and international investors. To do this, the country must improve transparency and build stronger organizations

that follow global standards for governance. Making contract governance stronger is key to supporting growth, ensuring accountability, and gaining investor trust.

Good governance does more than just control operations. It encourages ethical and responsible decision-making. It also makes sure that procurement is transparent, approval steps are followed, and risks are shared fairly among owners, contractors, and consultants. This focus on integrity supports Saudi Arabia's goal to reach top governance standards in both public and private sectors.

Digital transformation is now a key part of contract governance. Many organizations use systems to track approvals, deliveries, and financial duties as they happen. Connecting contract, procurement, and finance systems helps teams work together better, see what is happening, and spot risks early.

In theory, contract governance brings together Control Theory, which is about structure and following rules, and Agency Theory, which tries to align the interests of managers and owners. In practice, these ideas help create balanced systems that make organizations more accountable and improve their performance.

This study looks at how contract governance affects how efficiently real estate projects run in Saudi Arabia. It focuses on key factors like transparency, accountability, clear authority, and compliance, and how these influence project time, cost, and quality.

In summary, this research shows that contract governance is a strategic tool for reaching high performance. Strong governance systems help projects run more efficiently and lower risks.

They also encourage teamwork and support Saudi Arabia's goal for sustainable and competitive development.

The real estate sector in Saudi Arabia is growing fast and many companies are now aware of the importance of good governance. Still, in practice, several challenges keep repeating and affect the success of projects. The main problem is that the policy and procedures for contract governance are not applied with enough clarity or consistency.

A common example is when a project starts before the contract receives complete approval. This often happens because employees are not sure who has the authority to approve or because they feel pressure to move forward quickly. As a result, the project may face extra costs, unclear responsibilities, and sometimes disagreements between the contractor and the owner.

A second challenge is the lack of a clear and unified procurement system. In some companies, the system exists but employees are not fully aware of how to use it or do not follow it correctly. Each department may still follow its own steps without proper coordination with others. This causes delays in approvals, confusion in responsibilities, and slow decision making. When procurement activities are not handled through a clear and well applied structure, the project timeline is affected and the risk of cost increase becomes higher.

A third challenge is the weak documentation and record control. Many decisions are made through verbal discussions or informal communication tools instead of being properly documented in the contract files. Sometimes important approvals, variation orders, or contractor claims are not recorded on time or kept in one organized place. This creates confusion when the project team changes or when a dispute happens. Without accurate and updated records, it becomes difficult to protect the company's rights or track the real progress of the contract.

A fourth challenge is the limited use of digital systems in contract and procurement management. Some companies still depend on manual work such as printed forms, emails, or personal communication to manage approvals and variations. When information is not stored in a single digital platform, it becomes difficult to track changes, monitor deadlines, and ensure transparency. This leads to slow responses, missing documents, and weak control over project performance. Better use of technology can improve accuracy, speed, and visibility across all contract activities.

A fifth challenge is unclear roles and responsibilities during contract execution. Many employees are not fully aware of what they are accountable for or who should make each decision. This causes repeated follow ups and long waiting times before actions are taken. Contractors may also receive instructions from different departments which creates mixed messages and confusion on site. When the authority is not defined clearly, progress becomes slow and disputes become more likely.

These problems lead to delays, higher costs, and disputes that hurt project performance. The lack of strong governance also limits learning from past projects, so the same mistakes happen again.

Because of these gaps, this study asks one main question:

How do contract governance practices affect the efficiency of real estate projects in Saudi Arabia?

The purpose of this research is to understand how good governance in contracts can improve results. The goal is to help companies build stronger systems that make their projects faster, cheaper, and more reliable.

This study is important because it looks at a real issue that affects the success of many projects in Saudi Arabia. Real estate projects are getting larger and more complex. Each project involves many teams, departments, and decisions. When governance is not clear or not followed, projects face problems that delay progress and increase costs.

The study helps companies understand how contract governance can improve their work. It shows that when policies and procedures are clear and roles are defined, projects move faster and problems decrease. It also explains how transparency and accountability make it easier to manage changes, handle approvals, and avoid conflicts with second parties.

From an academic point of view, this study adds useful knowledge about governance in real estate projects. Many studies focused on corporate governance at a company level but fewer explained how governance affects project performance in daily work. This research fills that gap and connects the idea of governance with the reality of managing large development projects in Saudi Arabia.

The results of this study will help companies in Saudi Arabia build stronger systems that support Vision 2030 goals. Good governance leads to better decisions, fair processes, and clear communication. It also helps create trust between all parties involved in the project.

In simple words, this study matters because it gives both knowledge and practical solutions. It shows that governance is not only about control and approval but also about working smarter, saving time, and achieving better results for the company and for the country's development plans.

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أهداف الدراسة:

The main goal of this study is to understand how contract governance affects the efficiency of real estate projects in Saudi Arabia. The study focuses on how clear systems and rules can improve time, cost, and quality in project delivery.

The specific objectives are:

1. To identify how contract governance is applied in real estate development projects in Saudi Arabia.
2. To study how transparency, accountability, clear authority, and compliance affect project results.
3. To find the most common problems that appear when governance systems are not followed.
4. To suggest practical steps that can help companies build stronger governance systems.
5. To support the goals of Vision 2030 by improving the way real estate projects are managed.

In simple words, this study aims to show that when companies follow good governance practices, their projects become faster, more organized, and more successful.

This study aims to answer several main questions that help understand how contract governance affects real estate projects in Saudi Arabia. The questions are written to cover the most important areas related to awareness, performance, and improvement.

1. What is the current level of awareness and application of contract governance in real estate development projects in Saudi Arabia?
2. How do governance practices influence project cost control and schedule performance?
3. What is the relationship between transparency, accountability, and the quality of decisions made in projects?
4. What are the main barriers that make it difficult to apply governance principles in the Saudi construction industry?
5. How can companies create an integrated framework for contract governance that fits with their internal policies and daily procedures?

These questions guide the research toward understanding both the current situation and the ways to improve governance systems. They also help identify which governance elements have the most impact on project success in terms of time, cost, and quality.

This study is based on the idea that good contract governance can improve the performance of real estate projects. To test this idea, the research will focus on several main and sub hypotheses.

Main Hypothesis

There is a relationship between contract governance and project efficiency in real estate development projects in Saudi Arabia. When governance is applied properly, projects perform better in time, cost, and quality.

Sub Hypotheses

1. Transparency has a positive effect on project cost and schedule performance.
2. Accountability improves the quality of decisions in project management.
3. Clear authority helps reduce disputes and confusion between departments.
4. Compliance with policies and procedures improves project efficiency and control.

These hypotheses will be tested through data collected from professionals working in real estate development companies. The results will help confirm whether strong governance practices truly lead to better performance and more successful projects.

Many studies around the world agree that good governance helps projects succeed. Governance provides a clear system for making decisions, sharing information, and keeping control. It connects what management plans to achieve with what actually happens on site.

Luo et al. (2024) found that when contracts include clear risk sharing and approval steps, project performance improves, and conflicts between the owner and the contractor decrease. Their study published in the *Journal of Asian Architecture and Building Engineering*, showed that contractual governance supports better coordination between stakeholders and reduces uncertainty.

Shang et al. (2023) studied the impact of trust and contract governance on project management performance. They found that governance works more effectively when combined with trust and knowledge sharing between project parties. This combination leads to higher performance and smoother collaboration.

Yi (2024) discovered that both contract rules and good relationships affect project results, especially when digital tools such as Building Information Modeling (BIM) are used. The study confirmed that governance supported by technology leads to more efficient decision-making and improved quality outcomes.

Gui (2025) analyzed governance in public private partnership (PPP) projects and found that contractual governance improves performance by reducing disputes and clarifying responsibilities. The research emphasized that governance frameworks enhance accountability and trust between partners.

In the Gulf region, Al Busaidi et al. (2023) investigated factors affecting project performance in Oman and found that project governance plays a major role in improving cost and schedule

control. Their study highlighted the importance of formal policies and cross departmental coordination.

However, most of these studies examined governance at the organizational or corporate level, not at the level of individual project contracts. This means there is still limited understanding of how governance works inside real estate projects, especially in Saudi Arabia's fast-growing development sector.

In short, previous research agrees that strong governance leads to better results in time, cost, and quality. But there remains a gap in knowing how these governance principles operate within real estate development projects in Saudi Arabia. This study aims to fill that gap by focusing on how clear contract governance and owner-side procedures can improve project performance in the Kingdom.

This study is based on two main theories that explain how governance supports better project results. These are Agency Theory and Institutional Theory. Both help in understanding how organizations can control performance, share responsibilities, and make fair decisions during a project.

Agency Theory

Agency Theory explains the relationship between the owner (called the principal) and the contractor (called the agent). The owner expects the contractor to complete the project on time, within budget, and according to the contract. But sometimes their interests are not the same. The contractor may focus on short term gains, while the owner wants long-term quality and value.

Governance helps balance this relationship. It sets clear rules for approvals, communication, and accountability. When each side knows its role and the limits of its authority, trust increases, and the chance of conflict becomes lower. In this way, good contract governance acts as a control system that keeps both sides aligned toward the same goal.

Institutional Theory

Institutional Theory focuses on the systems, rules, and procedures that shape how organizations work. It says that companies perform better when they follow structured and transparent processes. In real estate projects, this means having standard forms, documented approvals, and proper monitoring.

Institutions such as real estate companies gain credibility when their actions follow clear and formal systems. Applying this theory to contract governance shows that performance

improves when organizations use written policies and consistent procedures instead of relying only on personal judgment or experience.

Connection to This Study

Both theories support the idea that strong governance makes projects more efficient. Agency Theory explains why clarity and accountability are important, while Institutional Theory explains how formal systems and compliance ensure consistent results. Together, they form the base of this study and help explain how contract governance can improve project efficiency in Saudi Arabia's real estate development sector.

This study uses a descriptive and analytical approach to understand how contract governance affects the efficiency of real estate development projects in Saudi Arabia. The goal is to collect real data from professionals working in the field and analyze it to find patterns and relationships between governance and project results.

Type of Research

The research is quantitative which means it depends on collecting numerical data through surveys. The data will help measure how each governance factor such as transparency or accountability, influences project efficiency.

Population and Sample

The study focuses on professionals who work in real estate development companies in Saudi Arabia. This includes people from commercial and project management departments. A random sample of about 150 participants will be chosen to make sure the results represent different company sizes and project types.

Data Collection Tools

The main tool for data collection is a structured questionnaire. It will use a five-point Likert scale (from strongly disagree to strongly agree). Before the main survey, a pilot test will be done to check that the questions are clear and easy to understand.

Data Analysis

After collecting the data, the responses will be analyzed using SPSS software. The analysis will include:

- Descriptive statistics to summarize the participants' answers.
- Correlation analysis to find relationships between governance practices and project efficiency.
- Regression analysis to test how strongly governance affects project results.

Validity and Reliability

To make sure the questionnaire measures what it should, content validity will be checked by experts in project management and contracts. The reliability of the questionnaire will be tested using Cronbach's Alpha, and a value above 0.70 will be accepted as reliable.

In summary, this methodology ensures that the study is scientific and based on accurate data. The results will help show how contract governance can improve the performance of real estate development projects in Saudi Arabia.

This study depends mainly on one tool for collecting data, which is a questionnaire. The questionnaire is designed to measure how contract governance affects project efficiency in real estate development projects in Saudi Arabia.

It includes three main parts:

- **General Information**

This part collects basic details about the participants such as their job title, department, years of experience, and company type.

- **Contract Governance**

This part focuses on the main elements of governance such as transparency, accountability, clear authority, and compliance. Participants will answer statements related to how these elements are applied in their projects.

- **Project Efficiency**

This part measures the level of efficiency in terms of time, cost, and quality, and how governance practices affect these results.

The questionnaire uses a five-point Likert scale ranging from:

1 Strongly Disagree

2 – Disagree

3 – Neutral

4 – Agree

5 – Strongly Agree

Before distributing the main questionnaire, a pilot test will be conducted with a small group of professionals to ensure that the questions are clear and easy to understand.

The collected data will then be analyzed using SPSS software to find relationships between contract governance practices and project efficiency.

النتائج المتوقعة :

This study is expected to show that contract governance has a clear and positive effect on project efficiency in real estate development projects in Saudi Arabia. When companies apply good governance practices such as transparency, accountability, clear authority, and compliance, projects become more organized and easier to manage.

The results will likely show that these practices help reduce delays, control costs, and prevent conflicts between the owner and the contractor. The study may also show that when governance policies are not clear or not followed well, projects face confusion, slow decisions, and poor coordination between departments.

It is also expected that the study will highlight the importance of using digital systems in managing contracts. Digital tools help teams share information, record approvals, and monitor progress in a faster and more accurate way.

In general, the results are expected to help real estate companies understand how good contract governance improves project success and supports the goals of Vision 2030 by increasing efficiency, trust, and accountability.

Every study has some limits that define its scope and focus. This research also has certain boundaries to keep it clear and realistic.

Subject Limit

The study focuses only on contract governance and its impact on project efficiency. It does not cover other management areas such as marketing, finance, or design management.

Location Limit

The research is limited to real estate development projects in Saudi Arabia. The results may not fully represent other industries or countries.

Time Limit

The data will be collected during the year 2025. Any changes in regulations or market conditions after that period are not included in this study.

Population Limit

The study targets professionals who work in real estate development companies including commercial, project management departments. It does not include contractors or consultants outside the development companies.

These limits help the researcher stay focused on the main goal and ensure that the findings are accurate and relevant to the Saudi real estate sector.

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