

Final Project 1

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Contracting & Procurement in Projects

Faculty of Management
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Bachelor of Project Management



Contracting & Procurement in Projects

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1. Chapter 1: Introduction

1.1. Research Background

The core element that enables an organization to deliver a project on time, within budget and to the highest quality, is effective contracting and procurement management. Every project outcome depends heavily on how an organization plans its procurement, selects and evaluates its suppliers and allocates risks through contract types and administers contracts during execution, especially in modern project industries, characterized by outsourcing, multi-tier supply chains and specialized sub-contracting.

Within (PMBOK) Project Management Body of Knowledge, procurement is not just a transactional activity, it is more of an integrated management process that aligns with the make-or-buy decisions, sourcing strategies and contract governance with project scope, schedule, cost, quality and risk plans. Contracting decisions shape the performance across the project life cycle and of course it influences the incentive structure, the accountability, change control, and dispute likelihood. Regardless of the availability of formal standards and procedures, several projects still experience delays, claims, scope creep and cost overrun related to procurement. The core problem is derived from weak procurement planning, incomplete specifications, misaligned contracts, insufficient supplier evaluation and inadequate contract administration capabilities.

This graduation project will explain the test of the contracting and procurement management exercises in projects and their relationship with the project performance. It aims to identify gaps related to theoretical and practical in how procurement and contract governance are implemented and to propose an empirical model that explains how procurement and contracting capabilities contribute to successful project delivery. This study is placed within the control of the project management system and has an academic understanding and professional practices contribution by providing evidence-based recommendations for improvement in the processes and decisions of the contracting and procurement.

1.2. Research Problem

The root cause of problems in any project underperformance is mainly caused by procurement and contract management. This section expresses the research problem by pointing out the gaps in existing theory and gaps observed in practice, building up to a focused research problem statement and the main research question.

This section is divided into two sub-sections:

1.2.1. Theoretical Gaps

Theoretically, procurement is a key project management knowledge area, but the empirical findings remain shattered regarding which contracting and procurement practices most strongly predict project performances across industries.

Previous studies usually test singular elements (e.g. contract type or supplier selection) without including them in a logical model that links procurement planning, sourcing decisions, contract governance and ongoing contract administration to measurable performance outcomes.

There are not enough data and evidence from emerging markets and the GCC, where regulatory requirements, localization policies and procedures and market structure can shape procurement behavior and supplier relationships.

1.2.2. Practical Gaps

Usually, organizations apply standard contracting templates without tailoring it per contract type, incentives mechanism or risk allocation to meet the project complexity and uncertainty. Overemphasizing the lowest price, while underweighting past performance, capacity, and risk, leading to delivery delays, quality issues and increased change orders are categories under the supplier evaluation process.

Contract administration practices (e.g., change control, claims management, performance monitoring) and inconsistently implemented, resulting in debates, delays in timelines and cost increases.

Main Research Question: How do contracting and procurement management practices influence project performance (time, cost, quality and stakeholder satisfaction) in project-based organizations?

1.3. Research Significance

The study is quite important because it deepens our understanding of how contracting and procurement capabilities influence project success, while also offering practical insights for organizations aiming to reduce procurement risks and strengthen supplier performance.

1.3.1. At the theoretical level

- This study brings together planning in procurement, different sourcing strategies, the selection of contracts and contract administration within a single framework that explains their impact on project outcomes.
- It adds to the procurement and project governance literature by exploring how elements such as supplier performance and the quality of buyer-supplier relationships act as a middleman.
- It will also provide the necessary evidence tailored to the GCC Region, where the delivery of projects depends highly on third party suppliers and subcontractors, making procurement practices mainly critical.

1.3.2. At the practical level

- The results will be able to help the project managers and the procurement department individuals to choose the right contract type and incentive structure that matches the level of risk and uncertainty in their projects.
- It will also offer several practical recommendations for a strong supplier evaluation without depending on the cost alone but also emphasizing the suppliers' capabilities, quality and reliability.
- The study will also highlight different ways to improve the practices related to the contract administration that will include change control, performance tracking, and claims handling to minimize debates and enhance the performance of delivery.

1.4. Research Questions

1. To which level does procurement planning quality affect the project performance in terms of clarity of requirements, sourcing strategy, make or buy analysis?
2. How does the contract type fit influence the supplier performance and the overall project's outcome?
3. What is the general effect of supplier evaluation strictness on the supplier performance?
4. How does the contract administration capabilities influence the project performance?

5. Does supplier performance intervene the relationship between contracting/procurement practices and the overall project performance?

1.5. Research Objectives

- The main objective is to examine the impact of procurement planning quality on the project performance,
- To assess how effective the contract type fit is on the supplier and the project performance,
- To also investigate the influence of contract administration capabilities on the project performance,
- Finally, to test if the supplier performance intervenes the relationship between contracting/procurement practices and the project performance.

1.6. Research Hypotheses

- The procurement planning quality has a positive and significant effect on the project performance.
- Contract type fit has a positive and significant effect on supplier performance.
- Supplier evaluation strictness has a positive and significant effect on the supplier performance.
- Contract administration capabilities have a positive and significant effect on the project performance.
- The supplier performance has a positive and significant effect on the project performance.
- Supplier performance intervenes the relationship between (1) contract type fit and project performance, and (2) supplier evaluation strictness and project performance.

1.7. Research Model

- Independent Variables: Procurement Planning Quality Contract Type Fit Supplier Evaluation Strictness Contract Administration Capabilities
- Intervening Variables: Supplier Performance (Delivery Reliability, Quality Assurance, Responsiveness)
- Dependent Variables: Project Performance (Cost, Time, Quality and Satisfaction)
Expected Relationships

- Independent Variables -> Supplier Performance -> Project Performance, with a direct path from contract administration capabilities to project performance.

1.8. Research Methodology

Suggested industry and organization for the empirical study:

- The study could be conducted within project-based companies in Saudi Arabia that usually rely heavily on external suppliers and subcontractors, such as contractors (construction), engineering consultancies, facility management companies, and large IT companies.
- A suitable setting is a medium to large company that executes several projects using formal processes for tendering, framework agreement or builds contracts, where procurement planning and contract administration are institutionalized.

Research Methodology Brief

- **Research Design:** Quantitative, explanatory, cross-sectional study
- **Population and Sample:** Project Managers, procurement specialists, contract engineers, and project control professionals involved in procurement/contract administration on active or recently completed projects.
- **Data collection:** Developing a structured questionnaire using items adapted from prior studies and standards to measure the procurement planning quality, contract type fit, supplier evaluation strictness, contract administration capabilities, supplier performance and project performance.
- **Ethical Considerations:** informed consent, confidentiality, voluntary participation and anonymized reporting.

1.9. Scope of Study

Geographical Scope: Riyadh, Saudi Arabia

Sectoral Scope: Project-based organizations with formal procurement and contracting activities

Unit of Analysis: Individual projects and the procurement/contracting practices applied within them.

Time Scope: Projects executed or closed within the last 24 months to ensure respondents can accurately assess practices and outcomes.

1.10. The Suggested Project Structure

- Chapter 1: Introduction Background Problem Significance Research questions Objectives
- Chapter 2: Literature Review Theoretical Foundations Contracting/Procurement constructs Project performance Hypotheses development
- Chapter 3: Research Methodology Design Sampling measures Data collection Analysis plan Ethics
- Chapter 4. Results and findings Descriptions Statistics Measurement Model Hypothesis Testing
- Chapter 5: Discussion and Conclusion Interpretation Implications Limitations Recommendations Future Research
- References: Appendices Survey Instrument Consent Form Additional Tables Chapter 2: Literature Review Introduction The independent variable The dependent variable The relationship between the independent and the dependent variables Conclusion

2. Chapter 2: Literature Review

2.1.Introduction

2.2. The independent variable

2.3. The dependent variable

2.4. The relationship between the independent and the dependent variables

2.5. Conclusion

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