

**THE IMPACT OF EFFECTIVE BUILDING PROJECT
CONTRACT PLANNING ON CONTRACTORS
PROFIT**

(A CASE STUDY OF JULIUS BERGER NIGERIA PLC, LAGOS)

BY

BELLO MUBARAK OLAWALE

HND/23/BLD/FT/0066

**BEING A RESEARCH PROJECT SUBMITTED TO THE
DEPARTMENT OF BUILDING TECHNOLOGY**

**INSTITUTE OF ENVIRONMENTAL STUDIES,
KWARA STATE POLYTECHNIC, ILORIN**

**IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE
AWARD OF HIGHER NATIONAL DIPLOMA (HND) IN BUILDING
TECHNOLOGY**

JULY, 2025

CERTIFICATION

This project has been read and approved by the undersigned on behalf of the Department of Building Technology, Institute of Environmental Studies as meeting the requirement for the award of (HND) Higher National Diploma in Building Technology.

BLDR. AKEEM IYIOLA.
(Project Supervisor)

DATE

BLDR. ABDULGANIY A.
(Project Coordinator)

DATE

BLDR. ABDULGANIY A.
(Head of Department)

DATE

BLDR. ALIYU SULAIMAN FUNSHO (MNIQB)
(External Supervisor)

DATE

DEDICATION

This project specially dedication to Almighty God for His love, protection, guidance and supports for me especially in my academic career. Also, to my beloved parents for their care and full support during my course, may Almighty God bless them abundantly (AMEN).

ACKNOWLEDGEMENT

All praise is due to Almighty God the Lord of universe. I praise him and thank him for giving me the strength and knowledge to complete my HND programme and also for my continued existence on the earth.

I appreciate the outmost effort of my Supervisor BUILDER AKEEM IYIOLA. whose patience, support and encouragements have been driving behind the success of this research work. He took time out of his tight schedules to guide me and go through this project. He gave useful corrections, constructive criticisms, comment, recommendation, advice and always ensures that excellent research is done.

My sincere gratitude goes to Head of the Department BUILDER ABDULGANIY A. and other members of stall of the Building Technology Science, Kwara State Polytechnic, Ilorin, for their constant cooperation constructive criticisms and encouragements throughout the programme.

Special gratitude to my parents, who exhibited immeasurable financial, patience. Support, Prayers and understanding during the period in which of my studies. Special thank goes to my lovely family members for their love, support and care. My sincere appreciation goes to my friends.

ABSTRACT

Effective contract planning in construction projects is not only crucial to attainment of project objectives but necessary if project failure is to be avoided, losses minimized and profitability enhanced by the Contractor. While research has shown general low usage of formal and effective contract planning in the Julius Berger Nigeria Plc, Lagos, the practices used by Nigerian Construction Contractors to manage risk are not known. Available research in Nigeria on this subject only highlighted risk factors with most impacts on construction site and also the means of mitigating such risks. This study aimed to appraise contract planning practices used by Julius Berger Construction Company in Akwa-Ibom State. The study utilized a qualitative approach with review of existing literature, semi-structured interview and transcription of data for conceptual content analysis.

The researcher used Julius Berger Nigeria PLC (Uyo Branch), as a case study to find out the effects of contract planning on cost and time, considering that the organization is involved in numerous contracts with suppliers, vendors and the government of Akwa-Ibom state.

Concerning methodology, data used in compiling this research were gathered from both primary and secondary sources. The management and employees of Julius Berger, Uyo were issued questionnaires. Text Books, Magazines and News Papers on contract management, planning and control were also used in compiling this research.

Based on the responses gotten from the respondents after the study might have been successfully conducted, the researcher will outline the findings and recommendations from the study.

TABLE OF CONTENTS

Title page	i
Certification	ii
Abstract	iii
Dedication	iv
Acknowledgement	v
Table of content	vi

CHAPTER ONE

1.0 Introduction

1.1 Background to the study	1
1.2 Statement of problem	4
1.3 Aims of the study	5
1.4 Research objective	5
1.5 Research question	5
1.6 Hypothesis formulation	5
1.7 Significant of the study	6
1.8 Scope of study	6
1.9 Limitation of study	6
1.10 Definition of terms	7

CHAPTER TWO

2.1	Theoretical framework	8
2.1.1	The basic theory	9
2.1.2	The relational theory	10
2.1.3	The social contract theory	11
2.1.4	The justice theory	13
2.1.5	The morals by agreement theory	15
2.1.6	Republicanism theory	16
2.2	Contracts, contract planning and contract development	17
2.2.1	Contract development and process	17
2.3	History of contract	22
2.4	Types of contract	25
2.5	The role of contract planning in increasing contractors profit	27
2.6	Cost of contracting (the Vodafone case)	30
2.6.1	Grant making costs	30
2.6.2	Outsourced grant-making costs	31
2.7	Impact of contract planning on cost and profit	33
2.8	Potential risks of contracting	34
 CHAPTER THREE		
3.1	Introduction	35
3.2	Research design	35

3.3	Area of the study	35
3.4	Population of data collection	35
3.5	Sample size and Sampling technique	36
3.6	Instrument for data collection	36
3.7	Validation of the instrument	36
3.8	Reliability of the study	37
3.9	Method of data collection	37
3.10	Method of data analysis	37

CHAPTER FOUR

4.1	Introduction	39
4.2.	Characteristics of respondent	39
4.3	Data analysis	40
4.4	Summary of the finding	45
4.5	Discussion of the finding	47

CHAPTER FIVE

5.1	Summary	48
5.2	Conclusion	49
5.3	Recommendations	50

References

Appendix

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY AND ORGANIZATIONAL PROFILE

Seeley (2018) described the construction industry as one of the most important sectors of the economy, which integrates a wide variety of skilled and unskilled professionals. These professionals engage in the provision of goods and services ranging from construction, alteration, refurbishment to repairs of building and civil engineering structures. All these professionals work together under various types of contractual agreements to actualize the client's brief and deliver the project.

Each project is unique and has its main objectives outlined by the client and project circumstances. Amongst the most common objectives of any successful project are deliveries at the right time, within authorized cost and meeting the envisaged quality standards (Love et al, 2012).

Construction projects, like all others, are not risks free and thereby can result to financial loss. Construction risks are events that generally influence any or all of the project objectives. Risk events could either be positive in terms of opportunities or negative in terms of threats to either or the entire project objectives (Hillson, 2002).

A lot of academic and professional literature has developed in the field of effective contract planning and management within construction contexts. The degree of application of contract planning and management techniques by contractors especially, was found to differ in various construction industries across the globe. Most countries in the Middle East and some part of Africa do not utilize project planning and management techniques in the delivery of construction projects (El-Sayegh, 2008; Laryea and Hughes, 2009). Akintoye and McLeod (2016) found that low usage of formal contract planning techniques was essentially due to lack

of knowledge and doubts on the suitability of the techniques to real life situations. This was supported by the findings of Shen (2020). Kartam and Kartam (2001) however attributed the low usage of risk analysis techniques to subjective judgement and contractor's reliance on their experience and intuition. El-Sayegh (2008) identified financial loss as the most significant in the Kuwaiti construction industry due to the boom in construction activities and inflationary trend of the market.

Laryea and Hughes (2009) attempted to find how contractors' in Ghana include financial risk in their bid prices. The research showed that besides having risk allowances as lump sums or percentage allowances, the method used is neither scientific nor informed by any empirical evidence. Ojo (2010) found that design changes, financial losses and inadequate specifications were the risk factors with most impacts on construction sites but the study did not highlight any Project contract planning (PRM) technique used by Contractors to respond to such risks.

Another research carried out in Nigeria on this subject was on the evaluation of key risk factors and the measures to mitigate their effects on construction projects (Dada, 2010). Though the research found financial, political and physical risks as the most significant, the use of contingency sum and insurance cover were adjudged to be the most effective means of mitigating risk.

However, no study has reported on the PRM practices used by Nigerian Contractors in redevelopments projects, with their attendant problems and challenges in terms of scoping.

1.1.2 ORGANIZATIONAL PROFILE

Julius Berger Nigeria Plc is a Nigerian construction company, headquartered in Abuja FCT, with additional permanent locations in Lagos and Uyo.

The company is represented across Nigeria in structural engineering and infrastructure works, and in southern Nigeria through domestic and international oil and gas industry projects (this company is also listed on the "flake list" for craigslist). It is known for constructing most of Nigeria's infrastructures, major expressways, and even some residential buildings for the Chevron Nigeria headquarters in Lagos.

The company was listed on the Nigerian Stock Exchange in 1991. Before this, its parent company was Bilfinger Berger. Bilfinger Berger is still the largest shareholder in the company. The construction business of Julius Berger Nigeria is the heart of the Julius Berger Group.

With 18,000 employees from close to 40 nations and clients from both Nigeria and the global oil and gas industry, JB is a leading construction company and the largest private employer in Nigeria.

MAJOR PROJECTS

- The company built the Eko Bridge completed in 2021, the Third Mainland Bridge completed in 1990 and the Abuja Stadium completed in 2003.
- Tin Can Island Port, commissioned in 2012.
- Lagos Inner Ring Road, completed in 2019.
- Ajaokuta Steel Plant, completed in 2006.
- Itakpe – Ajaokuta Ore Railway, completed in 2004.
- Abuja International Airport phase II, completed in 2017.
- Central Bank of Nigeria Head Office, completed in 2002.

- Uyo infrastructure and road works, ongoing since 2008.
- First discharge drain built utilizing pipe-jacking technology in Nigeria, completed in 2011.
- National Assembly phase III, completed in 2011.
- Multiple projects, Escravos GTL plant in southern Nigeria, commissioned in 2012.
- Bonny Liquefied Natural Gas facility, multiple ongoing works since 2013.
- Challawa Gorge Dam Karaye, completed in 2012

1.2 PROBLEM STATEMENT

The general low usage of formal contract planning and management techniques by Contractors globally often culminates into project failures, incessant claims for variations, huge financial losses and sometimes results in bankruptcy of Contractors (Allan et al, 2007). This situation is more prevalent in redevelopment projects due to the inevitable problems of unexpected additional work, excessive requirements and scope management issues, project funding not aligned with project plans, delay, structural failure, cost overrun, etc (Naaranoja and Uden, 2007). These problems or uncertainties, among others, increase the project risk and make their management crucial if success is desired.

For the Eket-Ona 20km dual road project, billions of Naira was expended and the overall aim of the project was not achieved. This huge expenditure and apparent failure in the primary objectives of the project led to complaints, probe panels and subsequent abandonment of the project.

Research has shown that financial, political and physical risks are the most significant to Nigerian Contractors (Dada, 2010). However, of the different levels of risk (country, market or project), there is shortage of research as to how Contractors approach project planning at organizational level.

1.3 AIMS OF THE STUDY

The aim is to determine the impact of effective building project contract planning on contractors profit

1.4 RESEARCH OBJECTIVES

1. To explore contract planning practices applied by Julius Berger at various project levels.
2. To assess awareness and usage of formal and informal contract planning practices by Julius Berger, Uyo office.
3. To examine the success or failure of the contract planning approach used by Julius Berger Contractors on Eket-Ona dual road project.
4. To evaluate the impact of the applied contract planning approach to the attainment of project profits.

1.5 RESEARCH QUESTIONS

1. What contract planning guidelines and practices exist in Julius Berger Nigeria Plc, Uyo?
2. How do you gather information about newer contract planning strategies to be applied in your on-going projects?
3. What are the effects of contract planning on contractor's profit?

1.6 HYPOTHESIS FORMULATION

Hypothesis for this study include:

1. Ho: There is no significant relationship between effective contract planning and contractor's profit.

Hi: There is significant relationship between effective planning and contractor's profit.

1.7 SIGNIFICANCE OF THE STUDY

This study gives a clear insight into the various ways in which contractors in the construction companies in Nigeria can maximize profits through effective and efficient contract planning and management. The study also gives a clear insight into the various effects of contract planning on risk level, cost and timing of a project. The findings and recommendations of the researcher will help in building a strong and better contract policy and guideline in Julius Berger Nigeria Plc as well as other construction companies in Nigeria, if taken seriously by government and the general public. The effects of contract planning on cost and time are outlined in-order for drastic measures to be taken to tackle any challenge employers may face when developing and implementing contracts with other organizations.

1.8 SCOPE OF STUDY

This research focuses mainly on the impact of effective contract planning on contractor's profit in Julius Berger Nigeria Plc, Uyo. Results and recommendations may not be used to generalize other construction companies in Nigeria, as the researcher could not cover a wider scope due to financial and time constraints.

Based on the findings of this study other possible researchable areas may include studies on the various effects of other aspects of contracts such as contract laws in Nigeria and contract management and control.

1.9 LIMITATION OF THE STUDY

The only limitation faced by the researcher in the course of carrying out this study was the delay in getting data from the various respondents. Most respondents were reluctant in filling questionnaires administered to them due to their busy schedules and nature of their work. The researcher found it difficult to collect responses from the various respondents, and this almost hampered the success of this study.

1.10 DEFINITION OF TERMS

Definitions of terms serve as the dictionary of this research. The terms are defined to enable the reader understand the research more clearly.

Contract: Erikson (2002) defined Contract as an agreement that creates an obligation binding upon the parties thereto. The essentials of a contract are as follows:

(1) mutual assent; (2) a legal consideration, which in most instances need not be pecuniary; (3) parties who have legal capacity to make a contract; (4) absence of fraud or duress; and (5) a subject matter that is not illegal or against public policy.

Contract Planning: According to Simmons (2007), Contract planning is the process of systematically and efficiently managing contract creation, execution and analysis for maximizing operational and financial performance and minimizing risk.

Contractor: General contractor, organization or individual that contracts with another organization or individual (the owner) for the construction of a building, road or other facility.

Profit: Tucs (2008) defined profit as the difference between the purchase price and the costs of bringing to market.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

In this chapter, the researcher will review existing literature generally on contract planning and narrow it down to the effects it has on time, cost and the general performance of an organization. Various concepts of contract planning, contract management and organizational performance are discussed, and previous and recent researches on contract planning and its effect on cost and time are well outlined and stated.

2.1 THEORITICAL FRAMEWORK

The contours of contract theory as a field are difficult to define. Many would argue that contract theory is a subset of Game Theory which is defined by the notion that one party to the game (typically called the principal) is given all of the bargaining power and so can make a take-it-or-leave-it offer to the other party or parties (i.e., the agent(s)). In fact, the techniques for screening contracts were largely developed by pure game theorists to study allocation mechanisms and game design. But then again, carefully defined, everything is a subset of game theory.

Others would argue that contract theory is an extension of price theory in the following sense. Price theory studies how actors interact where the actors are allowed to choose prices, wages, quantities, etc. and studies partial or general equilibrium outcomes. Contract theory extends the choice spaces of the actors to include richer strategies (i.e. contracts) rather than simple one-dimensional choice variables. Hence, a firm can offer a nonlinear price menu to its customers (i.e., a screening contract) rather than a simple uniform price and an employer can offer its employee a wage schedule for differing levels of stochastic performance (i.e., an incentives contract) rather than a simple wage.

Finally, one could group contract theory together by the substantive questions it asks. How should contracts be developed between principals and their agents to provide correct incentives for communication of information and actions. Thus, contract theory seeks to understand organizations, institutions, and relationships between productive individuals when there are differences in personal objectives (e.g., effort, information revelation, etc.).

It is this later classification that probably best defines contract theory as a field, although many interesting questions such as the optimal design of auctions and resource allocation do not fit this description very well but comprise an important part of contract theory nonetheless.

2.1.1 THE BASIC THEORY

The Model We now turn to the consideration of moral hazard. The workhorse of this literature is a simple model with one principal who makes a take-it-or-leave-it offer to a single agent with outside reservation utility of U under conditions of symmetric information. If the contract is accepted, the agent then chooses an action, $a \in A$, which will have an effect (usual stochastic) on an outcome, $x \in X$, of which the principal cares about and is typically “informative” about the agent’s action. The principal may observe some additional signal, $s \in S$, which may also be informative about the agent’s action. The simplest version of this model casts x as monetary profits and $s = \emptyset$; we will focus on this simple model for now ignoring information besides x .

We will assume that x is observable and verifiable. This latter term is used to indicate that enforceable contracts can be written on the variable, x . The nature of the principal’s contract offer will be a wage schedule, $w(x)$, according to which the agent is rewarded. We will also assume for now that the principal has full commitment and will not alter the contract $w(x)$ later – even if it is Pareto improving.

2.1.2 THE RELATIONAL THEORY

A **relational** contract theory is a theory based upon a relationship of trust between the parties. The explicit terms of the contract are just an outline as there are implicit terms and understandings which determine the behaviour of the parties.

Relational contract theory was originally developed in the United States by the legal scholars Ian Roderick Macneil and Stewart Macaulay. According to Macneil it offered a response to the so-called “Death of Contract” school’s nihilistic argument that contract was not a fit subject for study as a whole; each different type of contract (e.g., sales, employment, negotiable instruments) could be studied individually, but not “contracts-in-gross”.

Macneil explains that this is only one of a number of possible relational theories of contracts, and accordingly renamed his own version “essential contract theory”.

Relational contract theory is characterized by a view of contracts as relations rather than as discrete transactions (which, Macneil argued, traditional “classical” or “neo-classical contract” theory treats contracts as being). Thus, even a simple transaction can properly be understood as involving a wider social and economic context. For instance, if A purchases a packet of cigarettes from a shop he has never been into before and will never enter again, that seems quite discrete. However, A will almost certainly have a loyalty to a particular brand of cigarettes and expectations about quality about which he would be prepared to complain to the manufacturer, although he has no contractual privity with the manufacturer. There is also an understanding that A will pay for the cigarettes, not simply run off with them, and that if he tenders a £10 note in exchange for the cigarettes which are priced at £6, the paper money will be acceptable and change of £4 will be given. None of this is explicitly stated between the parties, whose conversation is likely limited to “20 Marlboro, please” on A’s part and “That’ll

be £6, please” on the part of the retailer. Thus, even the simplest transaction has a good deal that is unstated and dependent on a wider web of social and economic relations. How far outwards into that web one needs to investigate will depend on the transaction and on the purpose for which it is being examined.

Although earlier writing may be taken in places to suggest that the substantive rules of contract law need to be reframed to acknowledge the relational, non-discrete nature of contracts, this has not been subsequently pursued and current scholars have argued that it is neither possible nor necessary to reform the law of contract itself to work effectively with relationally-constituted contracts.

Other characteristics of relational contract theory are that “contract” is understood to cover economic exchange in general, not just contracts that would be recognized as legally enforceable agreements by courts in any given jurisdiction, that relations are mostly held together by their own internal values and wider social/economic factors, and, at least in relational theory in the Macneil mould, that exchange relations are governed by a number of norms. This last is not to say that relational contract theory is normative in nature, setting out what ought to be the case properly, but rather that there are actual observable normal characteristics or factors at play in relations. Macneil’s essential contract theory offers some 14 norms.

The English contracts scholar Richard Austen-Baker has more recently proposed an alternative version of relational contract theory, called “comprehensive contract theory”, which posits four “comprehensive contract norms” in place of Macneil’s 14, though Austen-Baker does not deny the validity of Macneil’s norms as a complex tool of analysis. The Japanese scholar Takashi Uchida has proposed a version of relational contract theory inspired by Macneil, relating it to the Japanese situation. Other notable contributions to relational contract

theory have been made by Stewart Macaulay (U.S.), Lisa Bernstein (U.S.), David Campbell (England) and John Wightman (England).

2.1.3 THE SOCIAL CONTRACT THEORY

In political philosophy the social contract or political contract is a theory or model, originating during the Age of Enlightenment, that typically addresses the questions of the origin of society and the legitimacy of the authority of the state over the individual. Social contract arguments typically posit that individuals have consented, either explicitly or tacitly, to surrender some of their freedoms and submit to the authority of the ruler or magistrate (or to the decision of a majority), in exchange for protection of their remaining rights. The question of the relation between natural and legal rights, therefore, is often an aspect of social contract theory.

Although the antecedents of social contract theory are found in antiquity, in Greek and Stoic philosophy and Roman and Canon Law, as well as in the Biblical idea of the covenant, the heyday of the social contract was the mid-seventeenth to early nineteenth centuries, when it emerged as the leading doctrine of political legitimacy. The starting point for most social contract theories is a heuristic examination of the human condition absent from any political order that Thomas Hobbes termed the “state of nature”. In this condition, individuals' actions are bound only by their personal power and conscience. From this shared starting point social contract theorists seek to demonstrate, in different ways, why a rational individual would voluntarily consent to give up his or her natural freedom to obtain the benefits of political order.

Hugo Grotius (2014), Thomas Hobbes (2013), Samuel Pufendorf (2004), John Locke (2009), and Jean-Jacques Rousseau (2012) are among the most prominent of seventeenth- and eighteenth-century theorists of social contract and natural rights. Each solved the problem of

political authority in a different way. Grotius posited that individual human beings had natural rights; Hobbes asserted that men consent to abdicate their rights in favor of the absolute authority of government (whether monarchical or parliamentary); Pufendorf disputed Hobbes's equation of a state of nature with war.

Locke believed that natural rights were inalienable, and that the rule of God therefore superseded government authority; and Rousseau believed that democracy (self-rule) was the best way of ensuring the general welfare while maintaining individual freedom under the rule of law. The Lockean concept of the social contract was invoked in the United States Declaration of Independence. Social contract theories were eclipsed in the nineteenth century in favor of utilitarianism, Hegelianism, and Marxism, and were revived in the twentieth, notably in the form of a thought experiment by John Rawls.

2.1.4 THE JUSTICE THEORY

John Rawls (2002–2011) proposed a contractarian approach that has a decidedly Kantian flavour, in *A Theory of Justice* (2015), whereby rational people in a hypothetical "original position", setting aside their individual preferences and capacities under a "veil of ignorance", would agree to certain general principles of justice and legal organization. This idea is also used as a game-theoretical formalization of the notion of fairness.

2.1.5 THE MORALS BY AGREEMENT THEORY

David Gauthier "neo-Hobbesian" theory argues that cooperation between two independent and self-interested parties is indeed possible; especially when it comes to understanding morality and politics. Gauthier notably points out the advantages of cooperation between two parties when it comes to the challenge of the prisoner's dilemma. He proposes that if both parties were to stick by the original agreed-upon arrangement and morals outlined by the contract that they both would experience an optimal result. In his model for the social

contract, trust, rationality and self-interest are all factors that keep each party honest and dissuade them from breaking the rules.

2.1.6 REPUBLICANISM THEORY

Philip Pettit (b. 2013) has argued, in *Republicanism: A Theory of Freedom and Government* (2006), that the theory of social contract, classically based on the consent of the governed, should be modified. Instead of arguing for explicit consent, which can always be manufactured, Pettit argues that the absence of an effective rebellion against the contract is the only legitimacy of it.

2.2 CONTRACTS, CONTRACT PLANNING AND CONTRACT DEVELOPMENT

Contracts are legally binding agreements that facilitate trade. They can be created by simple spoken promises in immediate transactions, like buying bread in a corner shop. They can be created even when consumers and suppliers are unaware of, and there is no explicit mention of, a contract. In more complex cases, contracting parties record the details of their agreement in writing. Over time, traders have developed the practice of selling many goods and services on the basis of standard-form written contracts that are not individually negotiated, thus saving time and effort in the contracting process.

Contract management or contract administration 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, as well as documenting and agreeing on any changes or amendments 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.

Common commercial contracts include employment letters, sales invoices, purchase orders, and utility contracts. Complex contracts are often necessary for construction projects, goods or services that are highly regulated, goods or services with detailed technical specifications, intellectual property (IP) agreements, and international trade.

A study has found that for "42% of enterprises...the top driver for improvements in the management of contracts is the pressure to better assess and mitigate risks" and additionally, "nearly 65% of enterprises report that contract lifecycle management (CLM) has improved exposure to financial and legal risk."

2.2.1 CONTRACT DEVELOPMENT AND PROCESS

There are so many different schools of thought on contracting. With a variety of contracting options to choose from, facility executives may have difficulty deciding the best way to approach the decision-making process.

To develop a strategic sourcing plan, facility executives should explore their motives for contracting, identify actions needed to make the best selection of partners, and establish a methodology for determining and measuring the critical success factors.

The first step in the strategic sourcing plan is reviewing the vision for the facility management enterprise. Many contracting ventures have failed because of insufficient attention upfront to where the facility management organization is headed and what it wants to accomplish through contracting. The direction of the facility management enterprise needs to be analyzed in relation to the overall corporate vision to make certain facility management goals and objectives are in sync with those of the organization.

Internal clients

Once goals and objectives are determined and the facility organization has defined its own vision and direction, it also needs to take into account business unit or client organization requirements, which are affected both by the corporate culture and how they determine satisfaction with facility management service delivery. From this analysis the facility executive can review the department's service delivery approach to determine how an contracting strategy relates to the vision and overall direction.

Is contracting a good choice for a particular facility organization? Answering that question means identifying core and non-core facility management functions and services. Facility executives need a thorough knowledge of what they consider to be the core functions and services they provide before they can determine if contracting is viable.

Core services are the seeds of the organization, the essential services that have to be performed for customer organizations to achieve their business missions. Core services vary from one corporate entity to another, depending on mission, culture and other factors that shape the way the facility organization serves its customers. Typically, core functions are retained in-house.

Non-core services do not necessarily contribute directly to the corporate mission and could be performed by external service providers.

The facility management test for core and non-core services is to assess how customers react if a particular service is not performed by in-house personnel. If a service passes the test, it more than likely can be outsourced.

Once core and non-core functions have been identified, the facility executive should determine whether there is a good reason for undertaking contracting. To rationalize the contracting effort, facility executives should be certain they understand the motives for considering externally provided services. Seasoned outsource veterans give several compelling reasons why most facility organizations elect to move into an outsource relationship.

Facility management is not a core function of the organization. Although a facility organization may be successful in delivering world-class services, sometimes senior corporate officials determine that the overall facility function is not strategically linked to the corporate business mission and is not one of the company's core competencies. Typically this means that the facility organization is considered to be an operational function that could just as easily be performed by an external source, so the company redirects its resources to core functions performed in-house and selects facility management as a candidate for contracting.

The organization is looking for facility management best practices. Because internal facility organizations are busy performing routine services, they often are not current on the latest trends and best practices. Time constraints may make it impossible to keep in-house staff trained and versed in the latest facility management tools and strategies. Internal facility organizations are fairly insulated from competitive market pressures that service providers face to have the latest skills, systems and information. Senior management often believes contracting providers deliver best-practice performance because otherwise the firms could not compete in the marketplace.

The workforce is variable. When companies and institutions are in flux with respect to the contraction and expansion of their workforce, using an external resource pool may be attractive because staff can be delivered "just-in-time." This flexibility allows the company to maintain a smaller in-house workforce, which reduces overhead and administrative costs, while having the ability to staff up quickly when service demand increases.

The contracting provider offers value-added services. In companies where the facility organization has negotiated service-level agreements with customer organizations and those organizations pay for services, using an external service provider may allow facility management to offer higher levels of service than the baseline or standard service provided. Some customer units may need facility management services that are different than what is

provided by the facility department directly, but that can be offered through an external provider. Driving consistency of service also may be part of the value-add concept: For example, a provider may support a call center, Web-based CAFM systems or other technology that can be applied uniformly across all customer organizations.

Tapping Planning Resources

The second stage in the process of making contracting work involves planning for the actual contracting process. All too often, facility organizations try to go through the process alone, without benefit of the expertise of others within the company. Others within the company can lend valuable assistance in developing the scope of work for contracting, establishing criteria for evaluating contracting providers, identifying key success factors and communicating back to customer organizations about changes in service delivery.

A facility executive can tap into others in the organization by creating a broad-based advisory committee. A strategic sourcing development committee provides the facility organization with invaluable expertise for developing the request for proposal and evaluating proposals from outsource providers. This group typically consists of client representatives, other service partner organizations — such as IT, human resources, procurement, and finance — and facility management staff. This group is critical to the success of the contracting effort; they need to buy into the rationale for contracting and the anticipated outcome to become invested in the process. The group can provide insight into how work needs to be performed, which ultimately becomes the basis for the scope of work in the RFP.

This group also advises the facility executive on what it takes for the contracting effort to be successful, such as faster service, less expensive service, better technology or best practice applications. The group also participates in the weighting of evaluation criteria, such as cost, customer satisfaction, technical methodology, experience or innovation. The committee

evaluates proposals from its perspective, which helps to syndicate the risk of decision making for the facility organization.

List of Prospects

The next step is to find prospective contracting providers. The facility organization and its advisory committee should determine upfront if the selection process is going to include pre-selection of potential bidders and a pre-qualification process prior to announcement of the RFP. Locating potential contracting providers that strike the proper balance between technology capabilities and cultural fit with the organization takes significant work before the RFP is published.

To gather information about prospective providers, both the facility staff and others on the advisory committee should attend trade shows and conferences to meet and acquire information on companies providing the desired outsource services. It is also useful to tap networks of industry professionals to benchmark firms in advance using the evaluation criteria and the critical success factors; this step can eliminate firms that are not a good match. Another helpful action is to review trade publications for information on best practices claims offered by contracting firms and their successful application.

From the efforts of the facility staff and the advisory committee, a large number of potential bidders should be reduced in advance of the RFP distribution; only firms that make the cut from the evaluation of qualifications are eligible to bid on the actual RFP. Only these prequalified bidders attend the pre-bid conference, take the site tour, and have the ability to ask questions and submit proposals.

Building a Good Relationship

Once an contracting provider is selected, the facility organization must take steps to create the right relationship, one based on a blend of accountability mixed with a true sense of

partnership from the beginning. To ensure the right atmosphere for a successful contracting relationship, facility organizations should:

Provide opportunities for the contracting firm to explore and understand the corporate culture.

Establish a full disclosure policy with respect to information sharing.

Create an orientation and training program designed to acclimate the provider to the client's way of doing business.

Negotiate an ongoing monitoring and problem resolution process.

Create incentives tied to a risk-reward philosophy.

If facility executives understand the difference between core and non-core services, clearly express their motives for contracting and the goals and objectives they hope to achieve, and establish key performance indicators to evaluate the value of the outsourced services versus the service investment, contracting should be a powerful business tool.

2.3 HISTORY OF CONTRACT

Empirical exploration of contracts is not a new thing. Some trace the roots of serious empirical exploration of private contracting to Stewart Macaulay's seminal work in 2005. It may be said that empirics are playing catch-up to theory, which has had a significantly longer tradition in scholarship in law and social sciences. To understand the diversity of disciplinary approaches and framings of questions about contracts raised in modern empirical explorations, it may be useful to briefly articulate the intertwined trajectory of contract doctrine, theory, and empirics.

Contracts are historically ancient means of managing and regulating dyadic exchanges.

Contract's doctrinal roots are traceable to actions, which were variations on trespass, used in varied contexts like debt collection, marriage enforcement, surgical mishaps, and similar transactions. An action in contract distinct from trespass was perhaps first noted in 1348 in the

case of the *Humber Ferryman* (Simpson 2004). In that case, a ferryman was paid for transporting the plaintiff's horse across a body of water, but the horse drowned allegedly due to the ferryman's miscalculations. Consideration was added to the doctrinal contractual landscape in the sixteenth century. In the *Golding's Case*, the Solicitor-General made what could be the first statement of a clear general principle of consideration, when he declared that, "in every action upon the case upon a promise, there are three things considerable: consideration, promise, and breach of promise" (Simpson 2007: 319).

Contract law evolved in parallel with liberal democratic ideals about free market exchange. In fact, since their modern formalization as legal, state-backed instruments, contractual exchange has been hailed as the foundation of both capitalism and the liberal state (Farnsworth 2012; Friedman 2015; Macaulay 2017; Selznick 2017; Smith 2008; Thompson 2014).

Under the common liberal theoretical version of contract formation, contract enforceability was grounded in law *as much as, and in harmony with* moral concerns, social constraints, and instrumental calculations. As a result, contracts provided formal state-backed instruments that seemed to obviate the need for reliance on alternative means of ensuring that deals were enforced (Blau 2014). Courts, legislators, and scholars in various fields have described contracts as the product of bilaterally exchanged commitments freely negotiated and agreed upon by the parties (Macaulay 2001; McIntyre 2005). As Friedman (2006) notes, "...the law of contract was the legal reflection of [the free] market and naturally took on its characteristics." Contracts represented a doctrinal embodiment of the collectively imagined paradigmatic *free* economic exchange in which mutually dependent actors with relatively equal access to legal resources, and relatively equal abilities to know and understand their respective needs and desires freely negotiated terms and then memorialized them in written instruments. The law assumed that individuals could serve their private interests by contract, and that contracts served the public interest by creating predictable reciprocal obligations (Slawson

2013). More specifically, one could point to at least the following five assumptions about how contracting parties behave as embodying the underlying theme of free market contracting: (1) parties know what they want (they understand their preferences); (2) they have relatively clear expectations about what their contracting counterparts want (they have a good sense of their counterparts' preferences); (3) they understand when they have entered into a contract; (4) they generally feel bound to perform as obligated by lawful contracts into which they knowingly entered; and, (5) if they breach, they know that they are breaching. Imagine, for instance, a bridge builder contracting with a component part manufacturer.

Each generally understands what terms they want and do not want to be memorialized in their contract, what the terms mean, and what will happen if they fail to perform, roughly to the same degree. Each has at least a minimal threshold understanding of the mechanics of the deal, and each probably feels bound to perform the terms to which they meaningfully assented in the absence of typical contract defenses like duress or unconscious ability. Under these circumstances, it would seem odd not to require each party to fully bear the responsibility for obligations into which they knowingly entered even if a court later determined that the deal was substantively unfair to one of the parties. Indeed, the law often treats a promise to do something as an indication that the promisor intends to perform as promised (Ayres and Klass 2005). For the most part, this is what the law did and continues to do.

Over time, contract law might not have evolved very much away from these assumptions, but contract scholarship has. As theory developed, contract was often conceived of as being in stark relief from what doctrine aspired for contract to be. Famously, Grant Gilmore (2014), Charles Fried (2018), and Ian Mac Neil (2003) theorized on contract's doctrinal shortcomings born out of the discord between how contract is experienced and how the law assumes contract is experienced. Perhaps it was the earlier work by Stewart Macaulay (2009) that evaluated the circumstances under which parties sought enforcement of terms in

contracts between businesses that partially paved the way for these theoretical reconceptualizations. Since that paper, which provocatively opened by asking, “[w]hat good is contract law? Who uses it?

When and how,” a growing number of scholars employing an expanding arsenal of methodological techniques have continued to probe the relationship between how people are *supposed to* behave around contracts, and how they *actually* behave, as Macaulay did in 2016. As others have observed (Becher 2009), there is a wide gap between contract law’s underlying *assumptions* and the modern reality of how contract is often experienced. This seems to be one of several driving forces behind the growth of empirical scholarship on contracts that has burgeoned in recent years. The primary alternative, but parallel, driving force is the use of contracts to vet disciplinary-based theories. This appears to be most true for economic theories. This paper next maps this evolving landscape, identifying common threads across disciplines as well as gaps fillable by future research. Recommendations are then offered for productive ways to expand on empirical contractual studies both substantively and methodologically.

2.4 TYPES OF CONTRACT

The basic types of contract that you may come across are defined below.

- A sales contract is a contract between a company (the seller) and a customer that where the company agrees to sell products and/or services. The customer in return is obligated to pay for the product/services bought.
- A purchasing contract is a contract between a company (the buyer) and a supplier who is promising to sell products and/or services within agreed terms and conditions. The company (buyer) in return is obligated to acknowledge the goods / or service and pay for liability created.

- A partnership agreement may be a contract which formally establishes the terms of a partnership between two legal entities such that they regard each other as 'partners' in a commercial arrangement. However, such expressions may also be merely a means to reflect the desire of the contracting parties to act 'as if' both are in a partnership with common goals. Therefore, it might not be the common law arrangement of a partnership which by definition creates fiduciary duties and which also has 'joint and several' liabilities.
- A spot contract is let to satisfy a definite, one-off requirement for either products or services. In principle, it serves the same purpose as a purchase order (which is a legal contract), but it is normally used for higher value or complex contracts where we have to go out to tender or the use of special terms and conditions.
- A call-off contract is used for the supply of a specific quantity (a minimum and maximum range can be given) of goods or services over a given time period, subject to the prices, specifications and terms and conditions agreed. Delivery will be made either to a delivery schedule built into the call-off contract, or more usually by separate 'call-off' orders placed against the contract. In essence, a call-off contract is the same as a framework agreement except that it is a legally binding contract with the supplier.
- Capital works contracts are used for large-scale construction projects. These contracts are generally highly complex and involved.
- Leasing contracts are often used to allow organizations to control the total cost of ownership of items such as IT equipment, vehicles and buildings.

2.5 THE ROLE OF CONTRACT PLANNING IN INCREASING CONTRACTORS PROFIT

Recent empirical work on contracts has advanced our understanding of how contracting entities experience contracts in important ways. First, there is growing consensus among researchers that actors do not consistently behave rationally, or in ways that optimize efficiency. This has been important particularly for those interested in how contracts may be written to incentivize performance (Brooks, Stremitzer and Tontrup 2012; Fehr, Hart and Zehnder 2011; Feldman and Teichman 2011). Studies on reference points (Fehr, Hart and Zehnder 2011), effects of formal versus flexible contract terms (Green and Heywood 2011), and opportunities for renegotiation (Nikolaev 2012) exemplify how much context and framing influence behavior around contracts, perhaps more so than the terms themselves. For instance, a study by Hannan, Hoffman, and Moser (2005) found that employees were more averse to having to pay a penalty than they were to not receiving a bonus, and therefore chose a higher level of effort under a penalty contract. They also found that individuals perceived the bonus contract as more fair than the penalty contract, and therefore were more likely to work harder in reciprocity.

A second particularly robust finding emergent from empirical work on contracts is that moral constraints are important in understanding how individuals interpret contractual obligations. Perhaps empirical evidence of the relative effects of morality in contracting is overdue. The notion of “keeping one’s promise” has origins in the bible: “[i]f a man...takes an oath to bind himself...he shall not violate his word” (Numbers 30:2). Durkheim (1893) argued that contracts could not exist without a preexisting set of institutionalized moral agreements. Modern theorists have argued for morality’s central role for decades (Atiyah 2009; Fried 2013). As Sutton described, “in effect, contract law... defines the nature of contractual obligations and invokes a transcendent authority to ensure that they will be enforced” (2001: 33). Promise

and doctrinal contract have clearly intertwined roots (Fourcade and Healy 2007), but until recently, there has been little empirical evidence of how social actors interpret the promise implicitly made by signing a contract, and less evidence of the perceived relationship in the context of form-adhesive contracts, which will be discussed separately.

There has been an explosion of empirical findings supporting the role of moral and normative constraints in explaining contractual behavior in recent years. For instance, Wilkinson-Ryan and Baron (2009) used a series of web-based questionnaires to measure the extent to which individuals accounted for morality in evaluating the actions of a party breaching a contract. Their results suggest that subjects “seemed to believe that intentionally breaking a contractual promise is a punishable moral harm in itself.” Wilkinson-Ryan (2011) also used vignette studies to show that morality affects individuals’ decisions in a mortgage default context. Her findings suggest that less social stigma surrounding mortgage defaults following the recent housing collapse reduce the degree to which individuals feel socially constrained to avoid breaching their own contracts. Findings also suggest reduced reciprocity norms when lending institutions are perceived as greedy or predatory. Feldman and Teichman’s (2011) recent research using randomly assigned vignettes similarly illustrates the degree to which attitudes about breaching a contract are laden with moral judgments. Lastly, findings from an online experiment suggest the relative effectiveness of a moral framing as compared to four alternative framings (moral, social, legal, instrumental, and generic) of attempts to convince participants who had breached a contract to cure their breaches (Eigen2012b).

A final area that has received some attention recently from empiricists is “form-adhesive” contracts. One relatively modern development in contract’s evolution, coinciding with the rise of the modern corporation (Edelman and Suchman 2017) is the proliferation of unilateral form contracts that have come to dominate the contemporary contractual landscape (Ben-Shahar2007). Form-adhesive contracts (unilaterally drafted and offered on a take-it-or-

leave-it basis) are the dominant means of regulating exchanges between organizations and individuals in contemporary life (Ben-Shahar 2007). They are particularly ubiquitous on the internet (Marotta-Wurgler 2011). Online vendors, financial institutions, service providers, social networking sites, and purveyors of news and other information require individuals to consent to form-contracts in order to receive the benefit of the underlying bargain. Perhaps the recent interest is a function of the increased awareness in scholarship (Ben-Shahar 2005) and in the public generally (Sullivan 2007) that contracts are rarely the result of freely negotiated bilateral. The terms “form-adhesive contract” and “form-contract” are used interchangeably to mean the same thing. commitments in contemporary life in academic circles. The consequences of this are largely unstudied.

Empirical research has recently begun probing whether and to what extent the proliferation of form-adhesive contracts represents an attempt by organizations to exploit individuals. Sociologists of organizations have documented the way in which firms exploit the law to replicate existing power advantages they hold over individuals with whom they deal—employees, customers, and care and service recipients (Edelman and Such man 2013; 2016).

One of the best ways to do this might be with form-contracts because contracts lend the impression of legal constraints, and by implication, invoke the State as the background sanctioning body of the contents of the contract, lending the impression of legitimacy and authority to the drafters (Eigen 2008). As Richard Ely remarked, “when economic forces make possible oppression and deprivation of liberty, oppression and deprivation of liberty express themselves in contract” (Kaufman 2003: 8).

One way that the question of whether form-contracts’ benefits outweigh their detriments has been explored has been by cataloguing the contents of typical form-adhesive contracts such as end-user-license agreements (“EULA”s) and related online boilerplate, and measuring their exploitative terms. For instance, Marotta-Wurgler (2008) analyzed the contents

of 647 software license agreements, finding that sellers with market power do not offer unusually harsh terms in the form-adhesive contracts they draft and promulgate.

However, it may be the case that even if the terms themselves are not unusually exploitive, individuals' tend not to read them, as evidenced by other work by Marotta-Wurgler (2011) and others (Eigen 2012; Plaut and Bartlett 2011). So, it might be important to empirically evaluate the extent to which reading matters for performance (or non-performance) of contract terms, and the extent to which individuals' perceptions of the contracts are relevant to contract performance and behavior. An experiment by the author offers evidence that suggests that readership is positively correlated with performance of a contract (Eigen 2012a). Others have demonstrated that contracts have signaling effects—such as more completeness as a signal of less trust and cooperation (Chou, Halevy and Murnighan 2012). A qualitative study of employees who had signed mandatory arbitration agreements revealed varied beliefs about the contents and effects of those contracts, in spite of low readership rates (Eigen 2008).

Besides this, there appears to be a growing public sense of the opportunity for exploitation as being sufficiently worrisome, even independent of the terms themselves. Perhaps the most unsettling popular example of this is an episode of South park, which first aired on Comedy

2.6 COST OF CONTRACTING (THE VODAFONE CASE)

Most organizations are under increasing pressure to deliver grants in the most cost-efficient and effective way possible. Evidence from this and other research provides evidence on the costs of different models of grant making.

2.6.1 GRANT MAKING COSTS

On the whole it usually costs more (per £ of grant) to administer low value grants, smaller grant programmes and grants to individuals.

When compared with other lottery distributors and grant making foundations operating in a similar field, the Vodafone Lottery Fund's administrative costs appear reasonable and proportionate. Contracting grant-making functions is uncommon among funders, but where it does exist the administration costs appear proportionately higher than in-house grant-making. VODAFONE has access to economies of scale and scope that enables it to keep costs down. Nonetheless, the rationale for contracting programmes includes purchasing additional expertise, reaching harder to reach groups and individuals, and to innovating, so it is likely that such economies may diminish – and the added value of contracting may increase.

2.6.2 OUTSOURCED GRANT-MAKING COSTS

The costs of outsourced grant-making are more complex than in-house grant-making; not least because programme development and operating/administrative costs are borne by both VODAFONE and its delivery partners. VODAFONE's development and operational costs tend to be *outside* the programme budget whereas partner costs tend to be *within* it. Nonetheless, we found the following:

- **Development costs:** For most outsourced programmes the chosen delivery partner receives a development grant from VODAFONE to develop their business plan for the programme in more detail. Development grants are currently limited to £250,000 and account for a small fraction (typically less than one per cent) of the overall programme costs, and represent necessary expenditure for the outsourced partner, although in some cases VODAFONE could have developed a broadly comparable in-house programme more cheaply
- **VODAFONE development and support costs:** VODAFONE also incurs costs during the development and delivery of an outsourced programme. For programmes currently in development VODAFONE estimates these costs through a generic template for developing an operating cost budget. Our findings suggest that the cost to VODAFONE

of managing outsourced programmes is relatively low as a proportion of the total programme budget: less than five per cent in the examples we explored

- **programme delivery costs:** As with in-house programmes, the majority of the cost associated with outsourced programmes is incurred at the programme delivery stage. Our findings suggest that these costs can be anything from four per cent of programme expenditure for larger outsourced programmes to 14 per cent for smaller programmes. However, these costs did not always include expenditure incurred by delivery agents administering grants at levels below the outsourced partner. In addition, we found a cost advantage from the trust model, which through expendable endowments typically generated (or were hoped to generate) investment returns sufficient to cover direct delivery costs. These returns were directly used to increase the programme budget. Of course, VODAFONE also generates interest on its balances, although such interest is most likely to be used to benefit subsequent programmes.

2.7 IMPACT OF CONTRACT PLANNING ON COST AND PROFIT

The main benefits of standard contract plans are that they save the expense of many individual negotiations, and reduce transaction costs and increasing profit margins for the contractor. This cost saving should free consumers to put effort into comparing offers, thereby giving firms a stronger incentive to offer low prices and good quality and service.³⁸ However, particular contract features can also sometimes impede competition by introducing search and switching costs.

Search costs may arise from confusing contracts or pricing structures that make it difficult for consumers to compare firms' deals. This can weaken traders' incentives to offer the best possible terms (since, for example, consumers cannot distinguish price reductions amid complexity). As such, there can be an advantage from being the first trader the consumer. And in the extreme they will charge monopoly prices, even where there are many firms (Diamond

considers. In extremis, traders who deliberately mislead consumers can benefit at the expense of more honest competitors. Switching costs can arise, for example, from cancellation policies (such as fees or notice periods) that deter consumers from switching supplier. High switching costs can, in turn, dull the incentive for firms to compete for each others's customers as they are locked in to contracts. This can result in higher prices for everyone.

The rapid growth of contracting suggests that both public and private organizations expect benefits from contracting. Naturally different organizations in different circumstances will expect different benefits. For example, all organizations may expect costs savings even though in government contracting, the typical cost savings are only about half of that the private sector achieves (Kakabadse and Kakabadse, 2000). It is impossible to exhaustively list every conceivable benefit but many of the desired benefits are general enough that they are shared across organizations. Rather than discussing potential benefits individually in detail, they are summarized in Table I along with a list of references.

As the table shows, the expected benefits of contracting may include realizing the same or better service at a lower overall cost, increased flexibility and/or quality, access to the latest technology and best talent, and the ability to re-focus scarce resources onto core functions. For the political organization, additional expected benefits may include better accountability and management, and a better political posture. There also appears to be an expected benefit of mimicking competitors or "getting rid" of trouble some functions (Willcocks and Currie, 2008).

2.8 POTENTIAL RISKS OF CONTRACTING

The literature also discusses numerous risks associated with contracting. Because contracting is a rather recent tool of managers the complete costs are not yet known, which poses a risk in itself. The literature warns that there is an initial tendency to overstate benefits

and that the suppliers are likely to perform better in the beginning of a contract to make good first impressions (Schwyn, 2017).

The lack of methodology is believed to cause some contracting failures (Bounfour, 2012; Lonsdale, 2004).

This thinking is supported by Lonsdale who suggests that contracting failures are not due to an inherent problem with contracting but rather the lack of guiding methodology for managers (Lonsdale, 2012). Another difficulty encountered with contracting, particularly in the US (GAO, 2013), is the lack of skills within public organizations to manage and monitor outsourced functions. While not discussed in detail, (Earl, 2013) identifies 11 risks with contracting IT; many of them have applicability to the contracting of other functions as well.

The contracting literature referenced in the table warns of the following potential risks: unrealized savings with a potential for increased costs, employee moral problems, overdependence on a supplier, lost corporate knowledge and future opportunities, and dissatisfied customers. It is also noted that contracting may fail because of inadequate requirements definition, a poor contract, lack of guidance in planning or managing an contracting initiative, or because of poor supplier relations.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research design, population, sampling techniques, method of data collection as well as the method of data analysis used in this research.

3.2 Research Design

In designing the research, a plan was set to guide the researcher on data collection and analysis phases of the research project, however the research design is descriptive method and percentage representation. The number of respondent that answer each question will be determined. This will allow for easier comparison of responses of all the respondent in other to research logical and constructive conclusion also, the researcher adopted survey as one of the research methods which is meant to investigate, budgeting as an effective tool for planning control and increasing productivity as an instrument of development in private sector as the researcher center of focus.

3.3 Area of the Study

The Julius Berger Nigeria Plc, Lagos is the geographical location which the researcher selected for the study. The organization head office is situated at Abuja FCT, with additional permanent locations in Lagos and Uyo.

3.4 Population of the Study

The research population of this study of 100 staff of Julius Berger Nigeria Plc.

3.5 Sample Size and Sampling Technique

The sample sized for this total population in the case of large number of population under study, the researcher has decided to take proportion of the population and study. The sample size used for this study is forty (40) out of the total population of hundred (100).

3.6 Instrument for Data Collection

Research instrument are tools used in getting the data, the research instrument used in this study were questionnaire, documentation and personal interview method. Two different types of questionnaire were designed for this study. One was for the management and staff of private sector and the other was for customers the questionnaires were designed with open ended questions its believed that the respondents would give answer in their own way of thinking, the other were also used to restrict the respondents to only one of the choice of answer e.g. he yes or no.

It also gives anonymity to the respondent to fell to answer questions, the interpersonal nature of questionnaire give conformity in measurement from person to person.

3.7 Validation of the Instrument

The questionnaire was submitted to my Supervisor and two (2) other outside experts for validation and necessary modification were made to ensure that it serve its purpose. Twenty copies were taken outside the study area for the purpose of test and reflect for consistency and the same answer were obtained.

3.8 Reliability of the Study

The questionnaires used in carryout this research work were duly distributed within and outside the study area. The questionnaire were served by the researcher hand to hand and

collected by him in person. 75% of these questionnaires were retrieved while 25% were missing.

3.9 Method of Data Collection

The most commonly used tools for gathering information or data by the social scientist are the questionnaire method, interview method. For the purpose of this study, the researcher has decided to make the following for collecting primary data.

- ***Interview Method:*** An interview involves oral presentation and interaction between the interviewer and the interview respondent the information or data collected are recorded as a result of the interaction.

The researcher will personally take the questionnaire for distribution among staff of NOCACO Nigeria Kaduna Branch. Based on the number of sample size interview which will be structured will also be conducted by the researcher with some of the study organization staff from which their response will be gotten down to serve as data for this research.

3.10 Method of Data Analysis

The researcher will analyze the analysis the data to be obtained by presenting the response of the population of studying from based on each question from which mean method will be adopted also chi-square method will be employed to evaluate the data to be obtained for effective justification. When the data has been presented in a tabular form, the chi-square method will be used. The chi-square testing is used when the research wishes to compare an actual or observed distribution with an expected. This method is particular useful when cross data re to be stated.

Chi-square can be presented symbolically thus:

$$\chi^2 = \frac{\sum (o-e)^2}{e}$$

Where:

Σ = Summation

O = the observed frequency of any value

E = the expected frequency of any value

For the fact that likert type of rating is used mean statistical would be used in analyzing the research 1 – 4 the following is given to each scale:

5 = Strongly Agree

4 = Agree

3 = Undecided

2 = Disagree

1 = Strongly Disagree

Where mean is to determine the decision point:

48 – 5 = Strongly Agree (S)

3 – 39 = Agree (A)

2 – 29 = Disagree (D)

Below 2 = Strongly Disagree (SD)

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

Introduction

In this Chapter, all the data collected through the questionnaire administered were presented, analyzed and interpreted using likert rating scale. Out of the 6 questionnaires administered, only 40 were returned representing 63% of the total and this is considered to be adequate.

4.2 Characteristics of Respondents

Table 4.1: Age Distribution of the Respondents

<i>Option</i>	<i>No. of Respondents</i>	<i>Percentage (%)</i>
1 – 5 years	-	0
6 – 19 years	5	12.5
20 – 25years	7	17.5
26 years and above	28	70
Total	40	100

Source: Field survey, 2025

The table 4.1, 12.5% of the respondents are within the age of 6 – 19 years, 17.5% are within the age of 20-25, and 70% of the total respondents are 26 years and above.

Table 4.2: Sex Distribution of the Respondents

<i>Option</i>	<i>No. of Respondents</i>	<i>Percentage (%)</i>
Male	30	75
Female	10	25
Total	40	100

Source: Field survey, 2025

The table 4.2 above shows that the population of male are more than female, out of total population of the respondents, 75% of the respondents are male while 25% are female.

Table 4.3: Education Distribution of the Respondents

<i>Option</i>	<i>No. of Respondents</i>	<i>Percentage (%)</i>
FSLC	5	12.5
ND/NCE	7	17.5
HND/B.Sc.	28	70
Others	-	0
Total	40	100

Source: Field survey, 2025

The table 4.3 above, 12.5% of the respondents are First School Leaving Certificate (FSLC) holder, 25% are secondary certificate, 30% are ND/NCE certificate, 20% are HND/BSc certificate while 12.5% are MSc holders.

4.3 Data Analysis

Table 4.4: Response on Budgeting services as an effective tool for planning and control for increase of productivity

<i>Option</i>	<i>SA</i>	<i>A</i>	<i>UD</i>	<i>D</i>	<i>SD</i>	<i>Total</i>	<i>Mean</i>	<i>Remarks</i>
X	5	4	3	2	1	15		
F	15	10	5	4	6	40		
Fx	75	40	15	8	6	144	3.6	Agreed

Source: Field Survey, 2025.

The above 4.4 gives a mean score of 3.6 which is greater than the cut-off point of 3.0. This mean that budgeting serve as an effective tool for planning and control for increase of productivity.

Table 4.5: Response on Private Sector apply budgetary planning and control procedure for its own operation

<i>Option</i>	<i>SA</i>	<i>A</i>	<i>UD</i>	<i>D</i>	<i>SD</i>	<i>Total</i>	<i>Mean</i>	<i>Remarks</i>
X	5	4	3	2	1	15		
F	19	11	4	4	2	40		
Fx	95	44	12	8	2	161	4.0	Agreed

Source: Field Survey, 2025.

The table shows that private sector apply budgetary planning and control procedure to its own operation because, the mean score 4.0 is greater than the cut-of point.

Table 4.6: Response opinion on Budgeting System enhance productivity

<i>Option</i>	<i>SA</i>	<i>A</i>	<i>UD</i>	<i>D</i>	<i>SD</i>	<i>Total</i>	<i>Mean</i>	<i>Remarks</i>
X	5	4	3	2	1	15		
F	20	9	3	5	3	40		
Fx	100	36	9	10	3	158	3.9	Agreed

Source: Field Survey, 2025.

Based on the above interpretation, it shows that budgeting system enhance productivity because the mean score 3.9 is greater than the cut-off point 3.0.

Table 4.7: Response opinion on Historical figures can be used for the preparation of budgeting.

<i>Option</i>	<i>SA</i>	<i>A</i>	<i>UD</i>	<i>D</i>	<i>SD</i>	<i>Total</i>	<i>Mean</i>	<i>Remarks</i>
X	5	4	3	2	1	15		
F	9	11	9	6	5	40		
Fx	45	44	27	12	5	133	3.3	Agreed

Source: Field Survey, 2025.

The table above indicate that the mean score is 3.3, which is greater than the cut off point of 3.0, this implies that historical figures can be used for the preparation of budgets.

Table 4.8: Response on Budgeting serve as instrument for planning and controlling actual with standard productivity?

<i>Option</i>	<i>SA</i>	<i>A</i>	<i>UD</i>	<i>D</i>	<i>SD</i>	<i>Total</i>	<i>Mean</i>	<i>Remarks</i>
X	5	4	3	2	1	15		
F	20	8	9	0	3	40		
Fx	100	32	27	0	3	162	4.1	Agreed

Source: Field Survey, 2025.

Based on the above table, budgeting serve as instrument for planning and controlling actual with standard productivity, because the mean score is 4.1 which is greater than the cut-off point of 3.0.

Table 4.9: Response opinion on Budgeting is regarded as a way of managing resources in an organization

<i>Option</i>	<i>SA</i>	<i>A</i>	<i>UD</i>	<i>D</i>	<i>SD</i>	<i>Total</i>	<i>Mean</i>	<i>Remarks</i>
X	5	4	3	2	1	15		
F	14	9	4	7	6	40		
Fx	70	36	12	14	6	138	3.5	Agreed

Source: Field Survey, 2025.

The table above shows that the mean score is 3.5 which is greater than the cut-off point of 3.0. It implies that budgeting is regarded as a way of managing resources in an organization.

Table 4.10: Responses on Budgeting planning and control techniques are used for increase productivity in the dynamic profit and non-profit making organization

<i>Option</i>	<i>SA</i>	<i>A</i>	<i>UD</i>	<i>D</i>	<i>SD</i>	<i>Total</i>	<i>Mean</i>	<i>Remarks</i>
X	5	4	3	2	1	15		
F	18	11	0	9	2	40		
Fx	90	44	0	18	2	154	3.9	Agreed

Source: Field Survey, 2025.

The table shows that budgeting planning and control techniques are used for increasing productivity in the dynamic profit and non-profit making organization. This is as a result of the mean score of 3.9.

Table 11: Response on Budgeting enhances the necessary for a careful choice of action and said system, in order to desire maximum return.

<i>Option</i>	<i>SA</i>	<i>A</i>	<i>UD</i>	<i>D</i>	<i>SD</i>	<i>Total</i>	<i>Mean</i>	<i>Remarks</i>
X	5	4	3	2	1	15		
F	20	9	3	5	3	40		
Fx	100	36	9	10	3	158	3.10	Agreed

Source: Field Survey, 2025.

Based on the above interpretation, it shows that budgeting enhances the necessary for a careful choice of a course of action and said system, in order to desire maximum return because the mean score is 3.10 which is greater than the cut off point.

Table 4.12: Response opinion on Budgeting serves as a declaration of policies in an organization?

<i>Option</i>	<i>SA</i>	<i>A</i>	<i>UD</i>	<i>D</i>	<i>SD</i>	<i>Total</i>	<i>Mean</i>	<i>Remarks</i>
X	5	4	3	2	1	15		
F	19	10	7	4	0	40		
Fx	95	40	21	8	0	164	4.1	Agreed

Source: Field Survey, 2025.

The above table shows a mean score of 4.1 which is greater than the cut-off point of 3.0. This indicates that budgeting serves as a declaration of policies in an organization of policies in an organization.

Table 4.13: Response on budgeting relates the activities of the organization to the general trend of economic condition.

<i>Option</i>	<i>SA</i>	<i>A</i>	<i>UD</i>	<i>D</i>	<i>SD</i>	<i>Total</i>	<i>Mean</i>	<i>Remarks</i>
X	5	4	3	2	1	15		
F	15	11	9	0	5	40		
Fx	75	44	27	0	5	151	3.8	Agreed

Source: Field Survey, 2025.

The table shows that budgeting relates the activities of the organization to the general trend of economic condition. Because, the mean score is 3.8 is more than cut-off point.

Interpretation of Mean Score

- 1) Item one has a mean score of 3.6 which is agreed that budgeting service as effective tool for planning control and increase productivity therefore, the mean score is accepted.
- 2) Item two have a mean score of 4.0 which is agreed that private sector apply budgeting planning and control procedure to its own operation.
- 3) Item three has a mean score of 3.9 which is adequate reveals that budgeting serves as effective tools for planning control and increase productivity therefore is accepted.
- 4) Item four have a mean score of 3.3 which highlight the productivity of budgeting the mean score is accepted.

- 5) Item five have a mean score of 4.1 which state that the use of instrument for planning grade control actually will standard productivity therefore the mean score is accepted.
- 6) Item six is regarded as a way of managing resource in an organization, therefore, the mean score is accepted.
- 7) Item seven have a mean score of 3.9 which is controls techniques are used for increasing productivity in the dynamic profit and nonprofit making organization, therefore, the mean score is accepted.
- 8) Item eight have a mean score of 3.10 this agree that budgeting enhances the necessary of a careful choice and course of action and source system. In order to desire maximum return there the mean score is accepted.
- 9) Item nine have a mean score of 4.1 this agree that budgeting serves as a declaration policies in an organization. The mean score is accepted.
- 10) Item ten have a mean score of 3.8. This is agreed that budgeting relate the activities of the organization of the general trend of economic condition. Therefore, the mean score is accepted.

4.4 Summary of Findings

From the data presented and analysis in this chapter, the researcher has been able to identify the following from the research work.

Budgeting planning and control techniques are used for increasing productivity in the dynamic profit and non-profit making organization which is the study of this research.

Workers in the organization responded positively to the appropriate measure taken by the management of the organization.

Budgeting system enhance productivity, it has been observed that good budgeting system will help any organization to increase its productivity level. This also boost employees' morals and dedication of its only to become more comprehensive.

4.5 Discussion of Findings

This section has been used by the researcher to give answer to the following question:

- Budgeting planning and control techniques are used for increasing productivity in profit and non-profit making organization.
- Budgeting system enhance productivity.
- Budgeting serves as a declaration of policies in an organization.
- Budgeting relate the activities of the organization to the general trend of economic condition.

The research give answer to each question using the information fro, the data analysis:

1. Budgeting planning and control techniques are used for increase productivity.
The research question is answered in table (7) the term budgeting is needed in both profit and non-profit making organizations to be able to run the affairs of the organization successfully.
2. Budgeting system enhance productivity, the research question is answered in table (4) proper budgeting in an organization will result to greater output in terms of output that is what you produce.

3. Budgeting serves as a declaration of policies in organization. The research question is answered in table (9) good budgeting system declared sound policies in an organization that will guide the entire management.
4. Budgeting relate the achievement of the organization to the general trend of economic condition. The research question is answered in table (10) proper budgeting related all the activities of the organization to be in one channel and the management will find it easy to coordinate the activities of the organization.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Introduction

This chapter summarizes the literature review as well as the detailed analysis that has been undertaken in this research work and (budgeting as an effective tool for increasing productivity in private sector).

Therefore, based on the findings arrived at recommendation are given and conclusion draw therefore.

Summary

The objective of private sector is basically to improve the effectiveness and providing power service both internally and externally and to reduce cost.

Budgeting as an effective tool, for planning and control is an important aspect of accounting system both in service or manufacturing organization. This is so because with budgeting planning and control no organization can function effectively in terms of product financial planning.

Therefore, budgeting as a tool for planning and control not be under estimated in an organization, budgeting is used a yardstick to evaluate the activities in an organization. And it has helped management to take crucial decision to guide them in their financial decision planning in running the organization.

The write undertook the researcher of the organization to find out whether the company applied budgeting. Planning and control procedures to its operation and in particular. The productivity of the organization, more over, if it had done that, how I done it and to what extent as well as finding out the efficient and effectiveness of the organization.

The company embarked on long term strategic planning and budgeting techniques to maximum its productivity as far back as the early year of its establishment. The strategies plan is described as the policy of even spread is an organization plan designed by the company in order to control productivity as well as creating some operational economics to the company.

In term of controlling he strategic plan of the company proved beyond reasonable doubt that budgeting as a means of planning and control are suitable for increasing productivity. On the other hand the short-term plan budget of the company should be restricted to the continuous aspect of its operation.

Conclusion

For budgeting to serve as an impact for planning and controlling mechanism technique, there has to be a plan upon which budget productivity is based.

Productivity must be planned before it can be controlled operation ahs to be determined and analyzed into expenditure costs so as to know how realistic would be contribution to project goals to make budget without planning.

Is just like putting the cat before the horse and a plan without a complimentary control would be pointless. The private sector has achieved the benefit of long range planning however it has not fully achieved the benefit of short range planning the budgeting fully. Moreover, the company has operated with adherence to the budgets and plans usually made in the areas to which they were applied and has been able to realize a targeted goals with only minor deviations from the budgets.

These deviations were due to external factors which cannot be controlled by the company (private sector) efficiency and effectiveness has also been achieved by the company through the use of long range planning which improve or increase productivity.

Recommendations

- The researcher is of the opinion that long range planning of the company should be maintained and pursued fully reached. This is because the company has benefited from it, ranging from creation of economic and minimization e.g. its expenditure.

However, in the area of its operational planning, the company should devise a good specialization policy so that each department within the company should perform specific operation of function.

This will help the company to achieve efficiency and effectiveness in the area of its short term tactical planning and budgeting. This is because for operational performance or goals to be achieved, such operation has to be planned which will go a long way in controlling the productivity of the organization.

- The company should employ competent and intelligent staff which a lot of experience to facilitate the planning which will go a long way in controlling in productivity in the organization.
- Budget plans and control should be reviewed on an operated effective and efficiently as to facilitate the realization of the goal which is the productivity increase in an organization.
- The company corporate planning should have the total support and involvement of top management. It is not a process to be left to technical specialist then assistance and advice can be extremely useful but management involvements is essential.

- The company should avoid excessive detail in corporate planning. I recommend that the corporate planning should provide a coarse grained strategic structure for long term future.

REFERENCES

- Alces, Peter, and Michael Greenfield. 2010. "They Can Do What!? Limitations on the Use of Change-of-Terms Clauses." *Georgia State University Law Review* 26(4):1099-145.
- Atiyah, Patrick S. 1979. *The Rise and Fall of Freedom of Contract*: Oxford University Press.
- Ayres, Ian, and Gregory Klass. 2005. *Insincere Promises: The Law of Misrepresented Intent*. New Haven: Yale University Press.
- Bakos, Yannis, Marotta-Wurgler, Florencia and David R. Trossen. 2009. ""Does Anyone Read the Fine Print? Testing a Law and Economics Approach to Standard Form Contracts."." *NYU Law and Economics Research Paper No. 09-40*.
- Bal, P. Matthijs, Annet H. De L Ange, Paul G.W. Jansen, and Mandy E.G. VAn Der Velde.2008. "Psychological Contract Breach and Job Attitudes: A Meta-analysis of Age as a Moderator." *Journal of Vocational Behavior* 72(1):143-58.
- Barthélemy, Jérôme, and Bertrand V. Quelin. 2006. "Complexity of Outsourcing Contracts and Ex Post Transaction Costs: An Empirical Investigation." *Journal of Management Studies*43(8):1775-97.
- Bebchuk, Lucian A., and Richard A. Posner. 2006. "One-Sided Contracts in Competitive Consumer Markets." *Michigan Law Review* 104(5):828-36.
- Becher, Shmuel I. 2009a. "A 'Fair Contracts' Approval Mechanism: Reconciling Consumer Contracts and Conventional Contract Law." *University of Michigan Journal of LawReform*42:747-804.
- Becher, Shmuel I. and Esther Unger-Aviram. 2009b. ""The Law of Standard Form Contracts: Misguided Intuitions and Suggestions for Reconstruction"." *DePaul Business and Commerical Law Journal*.
- Ben-Shahar, Omri (Ed.). 2007. *Boilerplate: The Foundation of Market Contracts*. Cambridge: Cambridge University Press.

- Ben-Shahar, Omri White, James J. 2005. "Boilerplate and Economic Power in Auto Manufacturing Contracts Boilerplate: Foundations of Market Contracts Symposium: Panel Two: Boilerplate and Market Power." *Michigan Law Review* 104:953.
- Bernstein, Lisa. 1992. "Opting out of the Legal System: Extralegal Contractual Relations in the Diamond Industry." *The Journal of Legal Studies* 21(1):115-57.
- Blau, Peter M. 1968. "Interaction: Social Exchange." Pp. 452-58 in *International Encyclopedia of the Social Sciences*. New York: Macmillan.
- Brooks, Richard R., Alexander Stremitzer, and Stephan W. Tontrup. 2012. "Framing Contracts- Why Loss Framing Increases Effort." Available at SSRN: <http://ssrn.com/abstract=1990226>.
- Brown, Sarah, Lisa Farrell, Mark N. Harris, and John G. Sessions. 2006. "Risk Preference and Employment Contract Type." *Journal of Royal Statistical Society* 169(4):849-63.
- Carson, Steve, AnoopMadhok, and Tao Wu. 2006. "Uncertainty, Opportunism and Governance: The Effects of Volatility and Ambiguity on Formal and Relational Contracting." *Academy of Management Journal* 49:1058-77.
- Chen, Tao, Ajay Kalra, and Baohong Sun. 2009. "Why Do Consumers Buy Extended Service Contracts?" *Journal of Consumer Research* 36(4):611-23.
- Chou, Eileen Y., Nir Halevy, and J. Keith Murnighan. 2012. "The Relational Costs of Complete Contracts." Available on SSRN: <http://ssrn.com/abstract=1872569>.
- Cialdini, Robert B. 1971. "Attitudinal Advocacy in the Verbal Conditioner." *Journal of Personality and Social Psychology* 17(3):350-58.
- Dietz, Thomas. 2011. "Contract Law, Relational Contracts and Reputational Networks in International Trade: An Empirical Investigation into Cross-Border Contracts in the Software Industry." *Law & Social Inquiry* (forthcoming).

Di Matteo, Larry A. 2006. ""Penalties as Rational Response to Bargaining Irrationality".

"Michigan State Law Review.

Durkheim, Emile. 1893. *The Division of Labor in Society*. New York: Free Press.

Edelman, Lauren B., and Mark C. Suchman. 1997. "The Legal Environments of Organizations." *Annual Review of Sociology* 23:479-515.

APPENDIX I
RESEARCH QUESTIONNAIRE

INSTRUCTION: Please endeavor to complete the questionnaire by ticking the correct answer (s) from the options or supply the information where necessary.

1. Age range

- a. 1-5years ☐
- b. 6-19years ☐
- c. 20-25years ☐
- d. 26years and above ☐

2. Gender

- a. Male ☐
- b. Female ☐

3. Educational qualification

- a. FSLC ☐
- b. ND/NCE ☐
- c. HND/B.Sc. ☐
- d. Others ☐

DATA ANALYSIS

4. Budgeting serves as an effective tool for planning and control for increase of productivity.

- a. Strongly agreed ☐
- b. Agreed ☐
- c. Undecided ☐
- d. Disagreed ☐
- e. Strongly disagreed ☐

5. Private sectors apply budgetary planning and control procedure for its own operation.

- a. Strongly agreed ☐
- b. Agreed ☐
- c. Undecided ☐
- d. Disagreed ☐
- e. Strongly disagreed ☐

6. Budgeting system enhances productivity.

- a. Strongly agreed ☐
- b. Agreed ☐
- c. Undecided ☐
- d. Disagreed ☐
- e. Strongly disagreed ☐

7. Historical figures can be used for the preparation of budget.

- a. Strongly agreed ☐
- b. Agreed ☐
- c. Undecided ☐
- d. Disagreed ☐

e. Strongly disagreed ☐

8. Budgeting serves as an instrument for planning and controlling actual with standard productivity.

a. Strongly agreed ☐

b. Agreed ☐

c. Undecided ☐

d. Disagreed ☐

e. Strongly disagreed ☐

9. Budgeting is regarded as a way of managing resources in an organization.

a. Strongly agreed ☐

b. Agreed ☐

c. Undecided ☐

d. Disagreed ☐

e. Strongly disagreed ☐

10. Budgeting planning and control technique are used for increase productivity in the dynamic profit and non-profit making organization.

a. Strongly agreed ☐

b. Agreed ☐

c. Undecided ☐

d. Disagreed ☐

e. Strongly disagreed ☐

11. Budgeting enhances the necessary for a careful choice of action and said system in order to desire maximum return.

- a. Strongly agreed ☐
- b. Agreed ☐
- c. Undecided ☐
- d. Disagreed ☐
- e. Strongly disagreed ☐

12. Budgeting serves as declaration of policies in an organization.

- a. Strongly agreed ☐
- b. Agreed ☐
- c. Undecided ☐
- d. Disagreed ☐
- e. Strongly disagreed ☐

13. Budgeting relates the activities of the organization to the general trend of economic condition.

- a. Strongly agreed ☐
- b. Agreed ☐
- c. Undecided ☐
- d. Disagreed ☐
- e. Strongly disagreed ☐