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Claims Management And Assessment Through Documentation

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Abstract : *Construction claims have such high impacts on the projects' cost and time that the contractors should establish the effective claim management in their organizations. This research aimed at presenting the key concepts of construction claims, and construction claim management, focusing on the contractors' point of view. In addition, a questionnaire survey was done to assess the efficiency of the contractors in managing their claims. Three-hundred claim management staffs from contractors' organizations were then selected by using stratified sampling technique, taking into account their company locations. It was found that the active tasks that the contractors can perform efficiently consist of recognition and identification of the change, systematic and accurate documentation of the change, analysis of time and cost impacts of the change. As to the defensive tasks, they are systematic and accurate documentation of change, and analysis of time and cost impacts of the change. On the other hand, the activities that the contractor can not perform well and should be improved are active notification of the change, active negotiation of the claim, and defensive recognition and identification of the change. The result from this research can help the contractors improve their weaknesses and maintain their strengths of their claim management process.*

Keywords: construction claims, claim management, documentation, management

I. INTRODUCTION

The construction industry is a complex and competitive environment in which participants with different views, talents and levels of knowledge of the construction process work together. In this complex environment, participants from various professions, each has its own goals and each expects to make the most of its own benefits. In the construction industry, since differences in perceptions among the participants of the projects, conflicts are inevitable. If conflicts are not well managed, they quickly turn into disputes. Disputes are one of the main factors which prevent the successfully completion of the construction project. Thus, it is important to be aware of the causes of disputes in order to complete the construction project in the desired time, budget and quality. Construction claims are also found in almost every

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construction project. It is the seeking of consideration or change by one of the parties involved in the construction process. Nowadays, the substantially increasing volume of claims are the result of the rising complexity of the projects, the price structure of the construction industry and the legal approach taken by a lot of owners and contractors. There are several researches that show the order of magnitude of the effects from construction claims on cost and time of the projects. During the past two decades, serious disputes concerning construction contracts have become increasingly common in construction projects. It is common practice for designers, contractors and owners to negotiate small and uncomplicated disputes, but larger and more complex ones frequently hinder the project through involvement with lengthy legal issues.

II. Literature Review

1. Z. Ren C. J. Anumba (20 December 2001)

Disputes are now considered endemic in the construction industry. They often arise from the poor resolution of claims in the course of construction projects. Efforts have been geared towards reducing the incidence of claims. These efforts are of two kinds: those that seek answers from basic principles and legal issues at the pre-construction phase and those that attempt to solve the problems through claims management procedures at the construction phase. This paper reviews the developments in claims management and highlights the deficiencies in current claims management approaches. It focuses on the need for improvement of the efficiency of claims negotiation and suggests the use of multiagent systems as an approach to achieve it. The potential benefits of the suggested approach are discussed in the concluding section of the paper.

2. Improving the management of claims on construction contracts William Vidogah

There is tremendous scope for improving claims management practice. This research comprised a postal questionnaire survey of contractors, project owners' architects, quantity surveyors and engineers, case studies on actual claims situations on projects, and structured interviews with consultants and contractors. Although based mainly on consultants' views although contractors' views are brought in occasionally for corroboration and clarification. The main findings are that: (i) claims management is still performed in an ad hoc manner; (ii) contractors' management information systems are ill designed to support claims; (iii) the products of basic good management practice, such as diaries, timesheets, and programs, often are inadequate in content even if available; and (iv) some aspects of claims are impossible to quantify with precision even with the best information available at reasonable cost. Main remedial measures suggested include: (a) greater emphasis on the quality of claims management practice and information systems during evaluation of tenders; (b) agreeing figures usually in contention as terms of contracts; (c) implementation of electronic document management systems; and (d) stricter contractual provisions on the quality of programmes, timesheets and content of claims.

3. A process reference model for claims management in construction supply chains: the contractors' perspective Dimitrios Robert I Stamatiou

Claims are an unavoidable burden for every construction project. They stem from risks that have unfortunately been realized in a project and how they will be pursued is up to company strategy, operational particularities and managers' skills and experience. Claims, in general, have an adverse effect on a project's supply chain by compromising actors' relationships, project implementation and project outcomes. It is imperative that all contractors follow a well-designed claims management strategy that is guided by well-defined and accurately documented operational processes outlined in detail. Process models related to claims management are scarcely found in the literature. These models are evaluated and a new process reference model, that attempts to improve the claims management process and rectify the identified shortcomings of existing models, such as a lack of transactions between the contractor and other supply chain actors, is proposed. In doing so, a number of process models are created. The objective of this paper is to prescribe the claims management process as an integral process to the supply chain of a construction project in an effort to raise awareness of this relationship and provide a holistic view to claims management through a supply chain management lens.

III. Methodology

- Studying and identifying proper documentation required for assessment and management.
- Analyze and review of project/contractual document (schedule, change orders, drawings, etc)
- We prepared some questions for our questionnaire survey.
- Verify the legitimacy of claims and change orders.

We have prepared a questionnaire survey for our topic

- **In which situation there are potential claims built in order of occurrence**

- 1 Language of contract
- 2 Discrepancy in drawing
- 3 Discrepancy in drawing
- 4 Extension of Time & L. D. clause

- **Which in order of cause generate the claims**

- 1 Inadequate site investigation
- 2 Poor contract documents
- 3 Lack of proper homework in offering adequate work front
- 4 Over policing of supervision
- 5 Delay in payments

- **Does computation of claim includes loss of opportunity profit?**

- Yes
No

- **Please Rank in order of frequent occurrence of following claims: (1,2,3,4)**

- 1 Delay claim
- 2 Change Order Claim
- 3 Acceleration Claim
- 4 Differing site condition claim

- **Have you or your organisation ever carried out Claim Management and Assessment Analysis?**

- Yes
No

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- **Does contract document provide any provision for change order or extra time?**

Yes
No

- **Provision of Clauses in the Contract:**

In regards to following 6 questions

Payments

Clear

Ambiguous

- **Whether the consequences of delay of payment is?**

Fair

Unfair

- **Provision for Time Extension**

Clear

Vague

- **Provision for Change Order/Extra items**

Clear

Vague

- **Provision for failure in providing Work front**

Clear

Ambiguous

Absent

- **Provision for delay in issue of design, drawings and inspection**

Clear

Ambiguous

Absent

- **How do you rank the Contract Document?**

In favour of Owners

Equitable and fair

IV. Conclusion

This research work presented the impacts of construction claims on the project success and the importance of having efficient claim management within the contractors' organizations. Contractors, in average, should improve their inefficient claim management sub-processes - active notification of the change, active negotiation of the claim of change, and defensive recognition and identification of the change while maintaining their efficient ones (active recognition and identification of the change, systematic and accurate documentation of the change, and analysis of time and cost impacts of the change) and prepare their documents accordingly. Globalization forces every organization to improve itself in order to be viable in international competition. The result from this research can help the contractors improve their viabilities. In the authors' opinions, this is the time for contractors to improve their organizational potentials not only in their claim management, but also in entirety of their business processes.

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