

A REVIEW: RELATIONAL CONTRACTING PHILOSOPHY FOR INDIAN CONSTRUCTION INDUSTRY

Asumal I. Patel¹, Neeraj D. Sharma², Neetu B yadav³

Student of Masters of Civil Engineering at SNPIT & RC, Umrakh, Bardoli, Gujarat, India¹
Professor, Department of Civil Engineering, SNPIT & RC, Umrakh, Bardoli, Gujarat, India²
Assistant Professor, Depart of Civil Engg, SNPIT & RC, Umrakh, Bardoli, Gujarat, India³

Abstract – Relational contracting system creates the trust based relationship among the organization stockholders so that project participants successful complete the project. This study aims to examine the feasibility of relational contracting (RC) for Indian construction industry as time, cost and schedule overruns can continuously observed in majority of Projects due to lack of Communication, trust and Understanding between the stakeholders involved in the Project. Relational contracting system helps for establishing and managing the relation between contracting parties with proper coordination. In this research paper the overall effectiveness of relational contracting for construction industry is included by overall review.

Key Words: Relational contracting (RC), Indian construction industry

INTRODUCTION

Indian construction industry facing such problems of cost overrun, schedule overrun, quality problems and delay in resolving disputes because of its old traditional contracting approaches. From the literature that many developed countries like USA, UK, Australia, Hong Kong have adopted relational contracting (RC) philosophy. This philosophy is a trust based relationship among project participants to facilitate the successful completion of a project in terms of cost, schedule, quality, effective dispute resolution and overall satisfaction to parties involved.

Now in days, Indian construction sector demands such system which improve the quality of work and reduces overruns and offer batter communication between the parties involve. Relational contracting is offering an approach the deal with all this issues if a systematic changes has been made in the current contract system. RC efficiently fulfill the present promise of doing something at dynamic ongoing states which also interrelated the Future ((Macneil 1974). It based on the parties behavior, attitude and relationship towards each other. The stockholders of construction projects govern the communications within mutually acceptable social guidelines, and from this relationship emerge the obligations among the parties (Kumaraswamy et al. 2005; Macaulay 1963; McLaughlin et al. 2014). In broader aspect if we define relation contract system philosophy is the process to establish and maintain the relationships

among parties so that mutual trust between the parties involved increase and working relationship improve so project commencement will become easy.

LITERATURE REVIEW

Abhay Tawalare and Laishram Boeing Singh, conducted the study in 2015 in study they had Identify numerous Thought-provoking problems of Indian construction industry due to outdated contract process and how these challenges can be efficiently undertaken by embracing RC viewpoint also describe the core context on how to relate relational contracting (RC) concept in traditional procurement system.

Florence Yean Yng Ling, Shi Ying Ong, Yongjian Ke, Shouqing Wang, and Patrick Zou conducted the depth study on relational contracting (RC) philosophy. Investigate the difference in relationship quality in a centrally planned market and a free market economy (Beijing and Sydney) and commence an evaluation of positive factors to incorporate RC and Negative hurdles to adopting RC practices in public construction projects. According to their result,14 factors that derive the adoption or relational contracting and 6 significant barriers to adopting relational contracting.

CONCEPT OF RELATIONAL CONTRACTING

Relational contract is defined as “Contracts in which what is expected by both sides is not written out in detail but develops as an ongoing relationship”.

Table: 1 - Characteristics of Relational Contract and Construction Contract

	Relational Contracts	Construction Contracts
Contracting Environment	<ul style="list-style-type: none"> • Positive cooperation among the parties involves. • Positive and responsive. 	<ul style="list-style-type: none"> • Cooperative, mutual trust is the desired standing of contract.
Effectuation	<ul style="list-style-type: none"> • It allows necessary flexibility and adjustments to cater unexpected incidents. 	<ul style="list-style-type: none"> • Power to issue variations with associated time and cost adjustment
Dispute Resolution	<ul style="list-style-type: none"> • Quick to solve the relational disputes. 	<ul style="list-style-type: none"> • Alternative Dispute Resolution

Source: Characteristics of Relational Contract and Construction Contract(adapted from Cheung 2001- p.43)

Relational contracting approach

- It helps to achieve shared goals.
- It helps to create trust based environment.
- It helps to manage project issues.
- It equally gives the share of success to all parties involve.
- Each party can communicate openly so there results will convert in good outcomes.

Benefits of relational contracting

- Collaborative encouragement over the use of uncommon resources.
- It does not focus on outcomes rather it focus on changing priorities due to circumstances.
- It is not strict to regulations only so adoption of lighter approach.
- Open and shared working relationship.

Relational Contracting Norms:

1. Role integrity (RI)
2. Reciprocity
3. Flexibility
4. Contractual solidarity
5. Reliance & expectations
6. Restraint of Power
7. Propriety of means
8. Harmonization of conflict

CONCLUSION

This study describes the overview of relational contracting and how this philosophy beneficial for construction project as well as in contract procedure. Also point out the norms of relational contracting which are key tools to apply this approach on any construction project.

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