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An Analysis of Variation and Change Orders in Real Estate Projects

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Abstract : This study investigated the impact of variation and change orders on project performance in order to take proactive measure to reduce them. The study had the following objectives, namely to investigate the prevalence of variation and change orders on real estate projects, to determine the cost impact of variation and change orders, to examine to what extent variation orders added value to construction projects, to identify the predominant origin agent as well as the causes of variation and change orders; and to establish the nature and extent of the impact of variation and change orders on overall project performance. Literature relative to the research area was extensively reviewed. The data gathering approaches included an exploratory study on costs of variation orders on construction projects, interviews with the top management personnel in construction contracting companies, the audit of site instructions with regard to waste and their value-addedness and self-administered questionnaires. Variation orders impacted project performance with regard to cost and time overruns and disputes between parties to the contract. Most variation orders involved additional works. The complexity of works was the most predominant factor influencing the occurrence of variation and change orders.

The reduction of the occurrence of variation and change orders was traced back to the pre-contract stage given that the most predominant origin agent of variation and change orders was the client and then due to an unclear brief of works to be executed. Suggestions regarding the reduction of variation and change orders were given.

Keywords : Variation and change order, Client, Consultant and Contractor.

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