

MPM4001

ORGANISATIONAL CONTEXT AND ROLES IN PROJECT MANAGEMENT

"VAH Sample Question Library"

Executive Summary (Refined):

This case study explores the negotiation strategy between Building Contractors of Toledo (BCT) and Steel Fabrik, Inc. (SFI), focusing on how BCT can secure favorable terms while managing project execution challenges. From BCT's perspective, the case emphasizes negotiation tactics, internal project coordination, and performance management in delivering a \$6 million steel fabrication plant for SFI in northwest Ohio.

Initially scheduled for completion within 18 months, the project has been repeatedly impacted by design revision requests from SFI—including a recent, significant change to accommodate rail traffic. These modifications threaten to delay completion by six weeks and incur a loss of \$150,000 in additional, unbudgeted costs—placing pressure on BCT's already narrow profit margin.

The situation has reached a critical stage, with risks of cost overruns, client dissatisfaction, strained communication, and potential reputational damage for BCT. Despite these challenges, the project represents a strategic opportunity: SFI has indicated plans to issue future contracts across the Great Lakes region, positioning this project as a potential gateway for long-term business.

By leveraging the Seven Elements Framework—with a focus on strategy, communication, and relationship-building—BCT must navigate short-term constraints while protecting its long-term strategic interests. Internally, BCT also needs to strengthen project team coordination, establish formal change control processes, and improve communication protocols to respond effectively to evolving demands.

Ultimately, this case underscores the importance of strategic bidding, adaptive project structuring, and relationship-based project delivery. For BCT, success hinges not only on meeting technical project goals but also on managing negotiations effectively, rebuilding client trust, and establishing a foundation for future partnership with SFI.

1. Introduction

This case study explores the negotiation dynamics and project management challenges encountered by Building Contractors of Toledo (BCT) during the development of a steel fabrication facility for Steel Fabrik, Inc. (SFI) in northwest Ohio, USA.

Viewed from BCT's standpoint, the project—initially planned to be completed within 18 months and with a budget of \$6 million—has been significantly disrupted by ongoing design changes requested by SFI. The most recent modification, involving the addition of a rail traffic channel, threatens to delay the project by six weeks and increase costs by at least \$150,000.

BCT, having secured the contract with a low bid, is already operating with a narrow profit margin. The frequent changes requested by SFI are compounding financial pressures, while miscommunication and growing distrust between both parties have escalated tensions, creating a challenging negotiation environment. Despite these difficulties, BCT recognizes

the strategic value of maintaining a long-term relationship with SFI, particularly given the potential for future projects in the Great Lakes region.

This report analyzes negotiation strategies and frameworks that can help BCT address immediate project concerns while fostering long-term collaboration. It explores the use of collaborative problem-solving, cost-benefit evaluation, BATNA (Best Alternative to a Negotiated Agreement), and the Seven Elements Framework (Fricker & Grünbacher, 2008) to guide effective negotiation and strengthen ties with SFI.

2. Project Background:

This case study centers on the negotiation strategy and project team management challenges faced by Building Contractors of Toledo (BCT) in their ongoing collaboration with Steel Fabrik, Inc. (SFI). The focus is a construction project involving the development of SFI's new steel fabrication facility in northwest Ohio.

BCT, a regional contractor specializing in construction and industrial projects, was awarded the \$6 million contract with an 18-month completion timeline. The contract was secured through an aggressive bidding strategy that prioritized competitiveness over profitability, leaving BCT with a minimal profit margin and placing significant pressure on the project manager and delivery team to strictly control costs and adhere to the schedule.

Throughout the project, SFI has introduced several revisions to the original plan. While earlier changes were manageable, a recent and substantial request to incorporate a rail traffic channel has introduced significant complications. This addition requires further design approvals and construction adjustments, threatening both the budget and timeline.

SFI, a multinational steel manufacturing company, is pursuing expansion throughout the Great Lakes region and broader North America. The new facility is a cornerstone of their growth strategy, and timely project completion is critical to securing future contracts and preserving their reputation. From SFI's perspective, the changes are necessary, feasible, and cost-effective.

In contrast, BCT views the repeated modifications as a strain on both the schedule and financial resources. The latest request alone is projected to add at least \$150,000 in unplanned costs—posing a serious challenge under the project's tight margins.

Despite the current difficulties, BCT sees significant potential in building a long-term partnership with SFI. This situation presents a high-stakes negotiation scenario, where BCT must engage SFI in constructive discussions to realign expectations, manage scope changes, and find a mutually beneficial path forward.

3. Project Situation Assessment

The steel fabrication plant project undertaken by Building Contractors of Toledo (BCT) for Steel Fabrik Inc. (SFI) has reached a critical phase. Originally planned to be completed within 18 months with a \$6 million budget, the project has progressed through key stages such as site preparation, foundation work, and partial structural construction. However, frequent design changes initiated by SFI—especially the latest demand to integrate a rail traffic system—have disrupted progress, endangering both the schedule and the budget.

The rail accommodation, while offering strategic long-term benefits to SFI, is expected to add \$150,000 in additional costs and delay the project by at least six weeks. With only \$50,000 of budget flexibility remaining, BCT faces a significant financial strain. Each revision requires new engineering approvals and design modifications, resulting in delays and interruptions to the construction workflow.

Communication between BCT and SFI has shifted from cooperative to reactive. Change orders have increasingly arrived without prior discussion, causing tension—especially through impersonal channels like email. SFI has interpreted a recent letter from BCT's project manager, requesting a formal negotiation, as a potential sign of resistance. The outcome of the upcoming negotiation will be pivotal in determining if the project can be realigned with its original objectives.

Key Project Risks

1. Schedule Risks and Delay Potential

The repeated change requests from SFI have already caused delays. Each adjustment requires time-consuming re-approvals and design alterations, extending fabrication timelines. The rail traffic request alone could delay the project by at least six weeks.

2. Budget Overruns and Margin Pressure

BCT secured the contract through a low-bid strategy, leaving minimal room for cost overruns. The projected \$150,000 increase would severely impact profitability, especially under current financial constraints. The firm is under pressure to meet performance targets despite operating with razor-thin margins.

3. Client Relationship Risk

Maintaining a strong relationship with SFI is vital for future work. However, frequent and sometimes unrealistic demands from the client are testing the limits of cooperation. BCT must navigate a delicate balance between fulfilling SFI's evolving needs and managing internal constraints.

4. Reputational and Job Security Threats

The project manager at BCT is under pressure due to past underperforming projects. A failure to deliver this project on time and within budget could jeopardize their position. Additionally, a poor outcome may damage BCT's reputation and affect their chances of securing future contracts, particularly in a competitive environment where SFI has alternatives.

SWOT and Vulnerability Assessment – BCT's Perspective

Strengths

- BCT has proven expertise in managing complex construction projects.
- The company has experience working with industrial clients and understands technical requirements.
- A pre-existing relationship with SFI provides insight into client expectations.

- Strong local supplier and contractor networks support project execution efficiency.
- High-level commitment from management to deliver the project successfully.

Weaknesses

- The budget is severely constrained due to underbidding.
- Profit margins are minimal, limiting flexibility for change orders.
- Internal pressures and leadership challenges, particularly involving the project manager.
- Resistance and slow response to changes have strained the client relationship.

Opportunities

- A successful outcome could position BCT as a preferred contractor for SFI's future projects in the Great Lakes region.
- Completing a high-profile industrial project on time could significantly enhance BCT's public and industry image.
- Demonstrating the ability to handle complex client requirements could open doors to new markets.

Threats

- Ongoing scope changes threaten both timeline and budget.
- Project failure could harm BCT's reputation and client trust.
- Continued friction may cause SFI to seek other contractors.
- Competition may take advantage of the situation to win future SFI projects.

Current Project Performance Review

The project is currently under significant strain regarding cost control and scheduling. The initial budget of \$6 million and 18-month delivery timeline are now at risk due to scope expansion, with \$150,000 in additional costs projected. BCT only has \$50,000 in financial buffer, highlighting a severe shortfall. The anticipated six-week delay conflicts with SFI's insistence on on-time delivery. While the build quality remains acceptable, frequent changes have begun to affect site coordination and efficiency.

Planning and Conducting the Negotiation

To navigate this high-stakes negotiation effectively, BCT and SFI must utilize structured negotiation frameworks that clarify their respective needs, limits, and potential compromises.

7.1 Negotiation Techniques

Collaborative Problem Solving

BCT should aim for a cooperative approach, framing requests as "yes, but" to demonstrate willingness while asserting boundaries. Proposing value-added alternatives—such as

cost-effective designs or materials—can show BCT as a collaborative partner rather than a resistant vendor, improving the potential for mutually beneficial outcomes.

BATNA (Best Alternative to a Negotiated Agreement)

BCT must identify its best fallback position before the negotiation. This might include agreeing to changes only if SFI provides additional funding or extends deadlines. A clear BATNA helps ensure BCT doesn't accept terms that would lead to a financial loss.

Cost-Benefit Analysis

To support their position, BCT should present a detailed financial breakdown that includes current expenditures, projected costs from the new changes, and a revised project timeline. Expert input from engineers and designers should be used to explain the impact of each proposed change on both budget and delivery schedule.

7.2 Models and Frameworks for Negotiation Planning

The Seven-Element Framework:

Developed by the Harvard Negotiation Project (Wanis & St. John n.d.), this model provides a comprehensive approach to negotiations that moves beyond simply debating over price or fixed positions (Gray, Gray & Zeleznikow 2011).

The first element is *Interests*, which refers to identifying the motivations of each party. For BCT, these include staying within budget, meeting deadlines, securing future projects from SFI, and protecting the job of the project manager. SFI, on the other hand, aims to complete construction on time, implement system updates to support operational goals, and demonstrate a successful project to its stakeholders. Understanding these core interests is essential to finding common ground.

The second element, *Options*, explores potential solutions that could satisfy both parties. Some possible strategies might include prioritizing critical changes, deferring less urgent ones, considering lower-cost alternatives, or introducing performance-based incentives to balance quality and time pressures.

The third element, *Alternatives* (commonly known as BATNA – Best Alternative To a Negotiated Agreement), involves evaluating fallback options if negotiations fail (Huang & Cai 2022). For BCT, the BATNA could mean sticking with the original plan but risking future contracts. SFI might opt to move forward with a suboptimal design or seek other contractors in the future. Understanding each side's alternatives helps gauge urgency and leverage.

The fourth element, *Legitimacy*, is about using objective standards to validate arguments. BCT might reference industry norms, engineering constraints, or financial data, while SFI could present logistics needs or projected growth figures to justify their requests.

Communication, the fifth factor, involves how both parties exchange information (Huang & Cai 2022). Communication breakdowns—like last-minute emails or meetings scheduled without notice—have already impacted progress. Constructive, respectful, and timely communication is key to rebuilding trust.

The sixth element, *Relationship*, focuses on maintaining a positive, long-term working relationship. The final element, *Commitment*, ensures any agreements are clearly defined, feasible, and actionable. Both parties need to agree on specific responsibilities, timelines, and resource allocations to avoid further disputes.

8. Company Analysis – SFI (Negotiation Counterpart)

Steel Fabrik Inc. (SFI) holds a strong negotiating position, thanks to its financial stability, long-term investment strategy, and influence as a global corporation. The Ohio facility marks the beginning of its expansion across the Great Lakes region, positioning SFI as a highly attractive client for construction firms. With support from local authorities and political figures, SFI's project garners significant interest.

Despite this, SFI also faces notable challenges. The most pressing issue is a strict deadline. They face internal pressure from corporate leadership and external scrutiny from political and community stakeholders. Delays could jeopardize future contracts and damage their reputation. Additionally, while they have a \$100M design order budget, they are expected to minimize extra spending to avoid attracting negative attention.

Failing to make necessary design changes could also affect SFI's operational efficiency in the long term. Thus, despite their strong position, SFI must negotiate carefully due to internal and external pressures.

9. BCT Project Team Performance Review

The BCT team has shown mixed results. While some progress has been made on core construction activities, poor handling of change orders and ineffective communication have created friction and setbacks. Despite having skilled team members, a lack of coordination across departments and no standardized process for addressing scope changes has undermined overall efficiency. Leadership must focus on improving interdepartmental cooperation and building flexibility to better meet client expectations.

10. Project Performance Improvement Strategies

To improve outcomes, BCT should focus on refining processes and boosting collaboration. First, a robust and flexible change control procedure should be implemented, including clear review mechanisms, deadlines, and dedicated teams to handle each request (Kettinger & Grover 1995).

Next, internal coordination should be enhanced through regular cross-functional meetings involving engineering, procurement, and construction teams (Goretzki & Messner 2016). Using integrated project management tools can help track changes, monitor progress, and improve visibility.

Improving team and stakeholder engagement is equally important (Maak 2007). Team leaders should be empowered to make decisions and be held accountable. Regular updates and reporting, with shared tools such as dashboards, can help monitor cost, progress, and design

changes transparently (Khawaja & Schmeits 2014). Training staff in client communication and conflict resolution will also mitigate future challenges.

Lastly, to get the project back on track, BCT must enhance adaptability without losing structure by aligning internal operations and establishing clear, open channels with SFI.

11. Conclusion

The negotiation between BCT and SFI represents a pivotal moment in the project. Although BCT secured the contract with a low bid, this has left little financial room to manage scope changes. Adding rail access to the plant introduces cost and time risks but reflects SFI's broader operational needs.

An inflexible stance would harm the working relationship. Instead, BCT should apply negotiation strategies such as collaborative problem-solving, interest-based bargaining, cost-benefit analysis, and BATNA to resolve immediate challenges while safeguarding the partnership. The Harvard model provides a roadmap to find common ground. Notably, internal sources suggest SFI may have funds to cover additional costs. BCT should request budget increases rather than risking a delay, which is not acceptable to SFI.

Successfully negotiating a solution will not only help complete the current project but may also position BCT as a preferred partner for future SFI expansions, bringing long-term growth and stability.

12. Recommendations

To steer the project toward success, the following steps are advised:

- In future negotiations, balance immediate client needs with long-term strategic goals.
- Use proven negotiation techniques like BATNA and interest-based approaches to find mutually beneficial outcomes.
- Avoid rigid, position-based bargaining; focus instead on shared goals and objective standards.
- BCT must clearly present the financial and scheduling consequences of requested changes, while SFI should articulate its own priorities transparently.
- Appoint a full-time change order manager to streamline coordination and minimize disruptions.
- Hold regular joint meetings to keep both sides aligned on deliverables and timelines.
- Increase project transparency using tools like Microsoft Project or Primavera P6 for real-time tracking (Khawaja & Schmeits 2014).
- Treat the current project as a strategic opportunity: building trust now could secure future work and elevate BCT's industry standing.