The Role of Client-Contractor Relationship in Solving Financing Failure in Construction Project: Case Study

Augustinus Simanjuntak*, Hotlan Siagian
1,2 School of Business and Management, Petra Christian University  
Jl. Siwalankerto 121-131, Surabaya 60236, Indonesia  
Email: 1augussm@petra.ac.id, 2hotlan.siagian@petra.ac.id  
*Corresponding author

Abstract

The construction industry supply chain emphasizes the importance of the client and contractor relationship. This research examines the process of evaluating the Contractor's capability in selecting a contractor. This study also reviews how the project owner solves the problem during work. This research uses a qualitative and case study approach. The study is based on library research, the Delphi method, and content analysis. The results of the study show: (a) in building a relationship, PT XYZ and the Contractor has declared about its business legal documents to the ABC institution; (b) However, in building a relationship, PT XYZ was not transparent about its financial capabilities and business ownership structure; (c) PT XYZ's failure to finance the project has disrupted the relationship of the two parties; (d) PT XYZ (Contractor) has declared about its financial failure; (d) the ABC institution overcomes it with a relationship beyond contract model, which is first to bail out the Contractor's finances so that PT XYZ can still carry out the construction service contract to completion. The ABC institution decided to bail out PT.XYZ is primarily based on the values practiced by the ABC institution, known as LIGHT, which means Love, Integrity, Growth, Humanity, and Trust.

Keywords: Relationship; Failure; Procurement Financing; Construction Services.

1. Introduction

The main relationship is between the client (the project owner) and the Contractor in the construction services sector's supply chain. Matthews et al. (2000) states that the procurement process in the construction services sector can improve if the level of trust and cooperation between parties is carried out using a partnership or relationship approach. A healthy and strong relationship between client and Contractor is essential in ensuring the project is successful. Construction services are not playful services because they involve the relationship between stakeholders. According to Musah et al. (2017), building and maintaining a healthy relationship between clients and contractors will be able to control conflicts within the project. The primary relationship in the supply chain of construction services lies in the relationship between contractors and clients. The research results of Xianhai Meng (2012) show that deteriorating relations between the parties in the project can trigger poor performance. This study indicated that enhancing collaboration and partnership patterns could effectively reduce relationship deterioration. For this reason, project work requires quality relationship management.

Bourne and Walker (2008) describe relationship management as a way for project managers and their teams to build and maintain the right relationships at the right time with stakeholders. According to Reinhart (2019), in building a great relationship, the client must have clear certainty plus reflect his wishes in the contract in the Form of the Contractor's budget, raw material plan, product, time, and scope of work. States that the Contractor's skills in building strong client-contractor relationships are the key to driving repeat business and becoming a word-of-mouth referral. Therefore, the adoption of a relationship-based management approach should be able to control traditional problems in construction projects through collaborative work within and between project organizations (Hedley Smyth, 2015).

The failure of a contract can cause cost overruns for the entire project and losses in terms of project benefits for the parties involved (Suyatno, 2010). Therefore, contractors must be transparent with clients about their financial capabilities from pre-qualification to post-qualification. According to Tan et al. (2017), successful trust-building in projects can improve project outcomes. In addition, high transparency from contractors will help clients and stakeholders overcome or prevent losses due to the Contractor's financial crisis during a project (Choi et al., 2018).

The Contractor's failure to finance the project procurement process is beyond the client's expectations before signing the contract. Therefore, the client ultimately becomes the party who plays the most role in overcoming it (R Takim H Abdul-Rahman R and W.S Min (2009). In this research, one case of the
importance of role relationships in dealing with contractor constraints is the case of PT XYZ Surabaya (Contractor) working on ABC institution in a building project. In this case, the project work by PT XYZ is delayed, or some buildings have not been completed due to PT XYZ's financial constraints. As a result, the project was delayed by about two years (2018-2020).

According to the principal director of PT XYZ, Sutama Watara, the factor causing the delay in the construction of the ABC Institution building was the failure of PT XYZ's capital to finance the project in stages (progress payment system) after the bank refused the work order letter issued by ABC institution to be used by PT XYZ as credit guarantee. The losses suffered by the client as a result of this case include the use of the building for academic activities not under the target time. In addition, the increase in costs for parts of the project worked on by other contractors because PT XYZ's work is a determinant for other contractors who work on the ABC institution building.

2. Literature Review

The Council of Supply Chain Management Professionals (2011) defines supply chain management (SCM) as the planning and managing of procurement, conversion, and all logistics activities. There is also coordination and collaboration in SCM with various partner channels: suppliers, intermediaries, third-party services, service providers, and customers.

2.1 Supply Chain Management (SCM) and Relationship Concepts

Boyce (2014) states that the most important and relevant factor in SCM in achieving a competitive advantage is the relationship factor which distances itself from transactional attributes and focuses more on working together to achieve common goals. The key to the relationship is the company's ability to generate mutual benefits that they cannot produce partially or separately (Cao and Zhang, 2011), as well as long-term benefits based on network relationships (Duschek, 2004). Thus, companies have incentives to cooperate and mutually benefit in the Form of long-term profitability.

According to S Kanchana & Ms. Sneha P (2018), contractor readiness in the supply chain in an integrated procurement process is one of the critical indicators to determine contractor performance (without work delays). Therefore, Hines and Samuel (2007) consider that forming cooperative relationships has long been emphasized more than hostility with suppliers (suppliers).

On the other hand, the more we rely on rationality in terms of contractual trust rather than good-will and competence, the more the business will be at risk of failure or conflict (Hines & Samuel, 2007). Then according to the Pro Crew Schedule (2020), the factors that form the basis for building strong relationships between clients and contractors include: First, the Communication Factor. One way to ensure contractors are on the same line is to have a list of questions to ask the Contractor that will state what the client wants and expects.

Second, Transparency. The Contractor must be transparent about everything that happens in the Contractor's work, including all decisions, problems, delays, and additional costs that arise. These are all important in building trust in front of clients.

Third, Realistic Expectations. A contractor who promises too much will cause more trouble than it's worth. Setting realistic expectations is better than agreeing to excessive and failed client requests. A better way to strengthen relationships and trust is with project work that exceeds client expectations.

The same thing was stated by Cong and Chau (2010) that the main dimensions of a relationship are trust, commitment, knowledge sharing, and communication quality. This finding differs from the contractual dimension, which consists of contract complexity and management. Therefore, the relationship between parties on the construction project can be described in the Figure 1.

2.2 Relationship Beyond Contracts Model

The company HCL (Hindustan Computers Limited) in India on its website (2022) states that the best contracts may not necessarily be able to overcome or capture things that will change. According to Torben H Bonde (2022), a strong collaboration that goes beyond the contract produces innovation and results that far exceed the expectations and substance of the contract. The same thing was stated by Tiziano Toschi (2022) that the most critical aspects beyond the contract are readiness and flexibility. Likewise, Nitin Chalke (2022) argues that companies like HCL have been running services proactively and beyond contracts so that it helps clients identify new opportunities. Rose Schoeller (2022) adds that relationships beyond the contracts create collaborative, flexible, trust-based relationships, working hand in hand with providing important input about service products and optimizing the chances of success for clients.

Regarding relationships beyond contracts, Argandona (2011) suggests that relationships have a transcendent motive. In the transcendent dimension, there are human actions (humanity) while considering the effects of their efforts on other parties and themselves. Then, according to Argandona (2011), the transcendent dimension is classified as an act of moral virtue, for example, prudence, truth, justice, and love.
An act of moral virtue occurs when one party seeks to achieve good for the other. The good intentions here are (1) actions that satisfy the needs of others; (2) his actions, as far as possible, help the other party learn to do better about what he is supposed to do; and (3) the act assists the other in enhancing their moral virtue.

2.3 Relationship Based on Contractor Business Entity Transparency

There are four types of business entities that contractors generally use in carrying out construction services, namely: firms, civil partnerships (Burgerlijke Maatschap), CV (Commanditaire Vennootschap), and limited liability companies (Perseroan Terbatas/PT). Suppose the Contractor uses a business entity as a PT or limited company. In signing the contract with the client, the board of directors represents the PT (Contractor). The Contractor's decision to run a business with a PT legal entity should not depend on 1 (one) owner because a PT must be established by a minimum of 2 (two) people. According to Article 35 of Law Number 1 of 1974 concerning Marriage, the husband's property is the wife's property, and the wife's property is the husband's property.

The board of directors and commissioners are also not responsible for their assets. Likewise, suppose the contractor company makes a profit. For this reason, contractors must be transparent about their organizational and financial structures during the tender process.

2.4 Relationship through Transparency of Contractor's Business Activities

In building a relationship with a client, the Contractor must discuss what he can and cannot do with the client. Contractors should be required to demonstrate that they have the potential ability to perform the contract by providing the following evidence:

1. Experience on similar projects;
2. Staff training, knowledge, and other skills;
3. The level of satisfaction of previous customers with similar projects through letters of reference;
4. Third-party verification of the performance characteristics of their products;
5. Health, safety, or similar policies;
6. Staff training; and
7. Financial strength.

More complete evidence requirements refer to Presidential Regulation (Perpres) Number 16 of 2016. In addition, it has been amended by Presidential Regulation Number 12 of 2021 concerning Government Procurement of Goods/Services (a reference for the private sector) as well as the current practice that the pre-qualification process for potential tender winners (contractors) must submit clear and complete information regarding the following:
13

Simanjuntak: The Role of Client-Contractor Relationship to Solving Financing Failure

1. The latest Company Profile
2. Deed of Establishment and the latest amendment to the company deed
3. Legal documents such as domicile certificate, trading business permit, company registration certificate
4. Construction services permit
5. Tax documents
6. Business entity certificate
7. Quality certificates, such as International Standardization Organization (ISO)
8. Last year’s audited financial report
9. Association Membership Card
10. Composition of Company Management
11. List of company experts along with their CVs and certificate of expertise
12. List of equipment owned
13. List of Projects that have been implemented in the last 5-10 years, especially similar works that are being tendered
14. List of work in progress
   a. Letters, such as Application letter for pre-qualification or Form of integrity pact

2.5 Relationship Through Contractor Financial Transparency

One of the conditions of the Contractor to be identified by the client in the procurement process is financial strength. Therefore, when a contractor applies for pre-qualification, he must be asked to submit documents related to his financial condition as follows (Hatush and Skitmore, 1997):

1. Accounts audited for the last three financial years.
2. Statements about the date of the last financial reporting, about liabilities or losses
3. Contingencies (risk conditions that may occur) that are not reported require disclosure.
4. Statement about the threat of lawsuits against the company.
5. Details of significant financial factors may have an impact on the company.

Hatush and Skitmore (1997) also put forward the criteria for assessing the financial capability of contractors, including those in charge of financial affairs. The things that are assessed are:

1. Name and address of company banker
2. Unmodified copies of audited accounts and annual reports for the last three years.
3. The profit and loss account or statement is the primary tool in contractor financial management. The elements of a profit and loss statement consist of:
   a. Sales, namely receipts, income obtained by the Contractor
   b. The cost of goods sold is the purchase price for services provided to the project owner.
   c. Depreciation is a gradual decrease in the value of contractor services
   d. Interest, namely remuneration, must be paid
   e. Income before tax
   f. Tax as an obligation to the state.
   g. Profit After tax, namely profit earned after deducting taxes, or net income the Contractor receives.
   h. The increase in net assets
   i. Loss, namely a decrease in equity or net assets.
   j. Revenue is defined as an increase in the value of the Contractor’s assets.
   k. Expenses are outflows from using assets or the occurrence of liabilities during an accounting period.

2.6 Research Framework

![Research Framework Diagram]

Figure 2. Research framework
3. Methods

Relationship problems that lead to contractor failures in financing the procurement process are carried out using descriptive qualitative research. This research uses a case study approach (consultative project), a literature study, and content analysis. This approach will be strengthened by the Delphi method. There are four critical stages in the Delphi method: 1) exploration of opinions; 2) summarizing experts’ opinions and communicating them back to them; 3) finding reasons from these experts regarding the opinions expressed; 4) Evaluation.

Data collection techniques in this study used in-depth interviews. According to Nugrahani (2014), the interview technique collects data through conversations with two or more people. In-depth interviews were semi-structured so the data obtained could be completed through discussions, not tied to a list of questions. Based on this method, it is expected that the response provided by the respondent accurate and not biased. According to Imami Nur Rahmawati (2007), in semi-structured interviews, researchers can develop questions so that the questions to the informants can be different according to the deepening of the answers. During this pandemic, interviews were conducted online (zoom), via telephone, and WhatsApp (WA). The technique in determining resource persons uses a purposive sampling approach, namely deciding sources with specific considerations (Sugiyono, 2008). The main criteria are the respondent is knowledgeable about the case of this study. The additional criteria are the respondents have experiences and responsibility in strategic decision making such as financial and operational issues.

They mastered or knew the intricacies that occurred in the case of PT XYZ, which failed to finance the ABC Institution building project. In addition, the resource persons also store data or various information related to contractor failures in project financing. The validity of the data or information in this qualitative research is checked using the triangulation method. Triangulation is the most commonly used method for increasing data validity in qualitative research (H.B Sutopo, 2006). The same or similar data will be more valid if it is extracted from several different sources but with the findings of the same or the same answers. Therefore, data triangulation is often referred to as source triangulation. Source triangulation techniques can use one type of data source, such as informants, but some of the informants or sources used must be positioned from different groups or levels. Using triangulation method will make the data obtained more accurate and valid since the main source are those who are in charge in strategic decision making. The essential need is that the respondent has knowledge of the study's case. The responses must also meet the additional criterion of experience and accountability in strategic decision-making. If the same or comparable data is taken from numerous distinct sources while yielding the same or similar results, the data will be more reliable. As a result, source triangulation is a common name for data triangulation. Semi-structured in-depth interviews allowed for the completion of the data through talks rather than being constrained by a predetermined set of questions. Based on this methodology, it is anticipated that the respondent’s response will be truthful and impartial.

4. Results

4.1 Tender and Contractual Relationship between PT XYZ and the ABC Institution

As with the selection of contractors in general, the ABC Institution, as the project owner, has carried out a procurement process that begins with a tender process to find the right contractor candidate. In the pre-qualification process, the ABC Institution tender team has invited and assessed several prospective contractors, including PT XYZ. The tender or pre-qualification process for ABC Institution's projects was carried out in 2013 involving the ABC Institution team and representatives of the Foundation, both institutional and budgetary. According to Agus Toly (vice chairman of the tender group for ABC institution), previously, ABC Institution had never collaborated with PT XYZ.

4.2 The urgency of PT XYZ's Formal-Legal Transparency, according to the expert

Based on the results of interviews with financial experts in the Real Estate sector (Njo Anastasia), it was concluded that contractors who wish to win tenders must be transparent regarding documents. Contractors as construction services providers are required to demonstrate their capabilities in civil construction, mechanical installation, electrical, and other implementation services. Thus, the client has material to assess the prospective Contractor and apply the know your contractors’ principle.

4.3 The Urgency of PT XYZ Financial Liquidity Transparency According to Experts

According to experts in this research, the liquidity aspect shows the Contractor’s ability to pay off debt and short-term obligations. The Contractor should give financial reports to the client regarding short-term debt, including accounts payable, taxes, dividends, and others.
There are five types of liquidity ratios:
1. The current ratio is the Contractor's ability to use its existing assets.
2. The quick ratio defines the Contractor's ability to pay off short-term debt.
3. The cash Ratio is defined as the Contractor's ability to pay the short-term debt.
4. Cash Turnover Ratio, which is a sign of the relative number between the number of services.
5. The working Capital Ratio shows the contractor company's liquidity level.

### Table 1. Identification of PT XYZ's formal-legal transparency

<table>
<thead>
<tr>
<th>General Assessment Indicators of Contractor</th>
<th>Transparency Required in Building Relationships</th>
<th>Transparency Identification Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational structure and ownership of business entities</td>
<td>The Contractor needs to explain further the usual structure of a Limited Liability Company according to Law Number 40 of 2007 concerning Limited Liability Companies</td>
<td>Transparency is not complete</td>
</tr>
<tr>
<td>Company identity and ownership</td>
<td>The Contractor has explained his business activities</td>
<td>Transparent</td>
</tr>
<tr>
<td>Background, main activities (in the past &amp; present)</td>
<td>The Contractor has explained his business activities</td>
<td>Transparency is not complete</td>
</tr>
<tr>
<td>Company legal status</td>
<td>The Contractor needs to explain his legal entity status.</td>
<td>Not transparent</td>
</tr>
<tr>
<td>Management capabilities and systems</td>
<td>Contractors must describe their financial, human resources, operational, and marketing management systems.</td>
<td></td>
</tr>
<tr>
<td>Experience working on projects.</td>
<td>The Contractor has explained his experience</td>
<td>Transparent</td>
</tr>
</tbody>
</table>

There are five types of solvency, namely:
1. Debt to asset ratio
2. Debt to equity ratio.
3. Tangible assets Debt Coverage.

Both experts agree that it is essential for contractors to be transparent about their business conditions. According to Imam Budi Santoso, the things that clients (ABC institutions) need to know about contractors are:
1. Age or establishment of the company.
2. Financial capability
3. The number of engineers working for the company.

### 4.4 The Urgency of Transparency in Financial Solvency Aspect of PT XYZ

Real Estate finance expert Njo Anastasia stressed the importance of submitting financial reports to clients regarding financial solvency. However, PT XYZ does not provide information/assessment results. According to Njo Anastasia, there are three types of solvency:
1. Debt to asset ratio
2. Debt to equity ratio.
3. Tangible assets Debt Coverage.

### 4.5 Relationship Disruption Due to PT XYZ's Financial Failure and Structural Problem

The relationship since the beginning of the procurement will weaken along with the losses experienced by the client. Based on the substance of the contract between PT XYZ and ABC Institution, the scope of work of PT XYZ is a) preparatory work; b) firefighting system work; c) plumbing work (including filling of water according to the volume of GWT in the project); d) MVAC work (including filling of Freon, oil, and others); electrical work (including installation in the generator room, laying of generators and refueling); e) electronic work.

However, this work experienced delays after running or completing about 60 percent. The delay in project work was due to PT XYZ's financial failure to purchase materials needed for further development processes. According to Agus Toly (the deputy chairman of ABC Institution's tender team), the losses suffered by ABC Institution due to PT XYZ's financial failure include:
1. The project submission process was delayed (September 2018).
2. The Construction Manager (MK) and Project Manager (PM), who should have been employed until the project was completed.
3. In problematic financial conditions, the quality of contractor performance can undoubtedly decrease.

In the credit system in Indonesia, the bank requires collateral in land, buildings, or securities. The death of the main owner of PT XYZ has a significant impact because most of the ownership of assets may still be in the name of the company owner (deceased), so when PT XYZ applied for credit on behalf of president director the bank refused.
Table 2. Transparency of PT XYZ's financial strength in the pre-qualification phase

<table>
<thead>
<tr>
<th>Financial Capability Indicators</th>
<th>Transparency Required in Building Relationships</th>
<th>Transparency Identification Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial audit results for the last three years</td>
<td>PT XYZ (Contractor) should provide information about its current financial condition.</td>
<td>Not transparent</td>
</tr>
<tr>
<td>Profit and Loss Account</td>
<td>The Contractor should provide information regarding the proportion of losses and profits of his business.</td>
<td>Not transparent</td>
</tr>
<tr>
<td>Contingencies (uncertainty of loss or gain)</td>
<td>The Contractor must explain the warranty obligation for an event to another client that could affect his business profit.</td>
<td>Not transparent</td>
</tr>
<tr>
<td>Threat of lawsuits (litigation)</td>
<td>Contractors need to explain potential cases between themselves and other parties.</td>
<td>Not transparent</td>
</tr>
<tr>
<td>Significant factors that may impact the Contractor's business</td>
<td>Contractors must explain internal and external factors (labor situation, economic conditions, government policies) that affect their business.</td>
<td>Not transparent</td>
</tr>
<tr>
<td>Confirm the existence of the Contractor in the business</td>
<td>The track record of PT XYZ before signing the contract is quite good.</td>
<td>Transparent</td>
</tr>
<tr>
<td>Statement of the company's latest sales turnover</td>
<td>Contractors need to explain whether their turnover tends to increase or decrease as one of their financial business condition parameters.</td>
<td>Not transparent</td>
</tr>
<tr>
<td>Fixed asset value/ Asset increase</td>
<td>The Contractor needs to explain whether there is a decrease or increase in his business assets.</td>
<td>Not transparent</td>
</tr>
<tr>
<td>New Liabilities or Debt Value</td>
<td>The Contractor needs to explain whether he has debt that is not balanced.</td>
<td>Not transparent</td>
</tr>
</tbody>
</table>

4.6 The Policy of PT XYZ and ABC Institution to Overcome Relationship Disruption

The implementation of construction projects that were previously only based on contractual relationships at one time, when a big problem occurred, the parties were encouraged to build relationships based on moral commitment, sacrifice, and mutual understanding of the conditions of each party. This was experienced by PT XYZ, who suddenly experienced financial problems after the death of the main owner of the contractor business entity. Finally, PT XYZ took a good first step by meeting with ABC Institution to explain the problem on their side. PT XYZ proposes a policy to be assisted in terms of financing. The researcher believes PT XYZ's honesty and openness in explaining its financial condition to clients is the basis for clients to provide answers.

4.7 Completed Project with Relationship Beyond Contracts by ABC institution

When ABC Institution received and followed up on PT XYZ's request for assistance to cover the project's cost, the contractual relationship (which was in danger of not being continued by the Contractor) was restored. Therefore, the application step, plus PT XYZ's honesty regarding its financial condition and willingness to accept the application by ABC Institution, is classified as solving the problem through a relationship. The relationship step must be from two parties (the applicant and the application recipient) as illustrated in Figure 3.

Figure 3. Values and culture of the ABC Institution

The acronym LIGHT is explained as follows: Love is defined as loving others, and Integrity is related to morality (right or wrong choices, good or bad, fair or unfair).

At the same time, love is part of benevolence to stakeholders, which naturally can be a strength in the company's branding process. ABC Institution's step follows the writings of Argandona (2011) entitled Beyond Contracts: Love in Firms that love can and must be lived in companies so that companies operate...
efficiently, attract those who participate in them, and act consistently for the long term.

The building construction project belonging to ABC Institution was finally completed (completed) after ABC Institution bailed out PT XYZ's finances. The polishing of certain parts of the project that should still be the responsibility of PT XYZ becomes an additional burden for ABC Institution. ABC Institution strictly carries out all steps beyond the contractual relationship so that the Contractor can learn to be responsible and respect the actions of ABC Institution.

5. Discussion

Based on the document requirements, PT XYZ is declared to have met the legal-formal requirements. Substantially (capacity), PT XYZ was recommended by the Foundation that oversees ABC Institution because this Contractor has often succeeded in some building construction. This means that the trust built between the client and the Contractor at the beginning of the procurement process is still limited to legal documents and PT XYZ's track record of success in working on projects in the past. In addition, the tender team has also heard information from outside parties regarding PT XYZ's tape record, which has succeeded in many projects in Surabaya. Based on these two things, PT XYZ was trusted to build the Q building for ABC Institution. Since ABC Institution and PT XYZ signed the construction service contract, a contractual relationship was born between the two parties, namely two parties (subjects), who gave birth to rights and obligations. This means the relationship between PT XYZ and ABC Institution is purely contractual. No special relationship is built on the values of closeness or the value of sharing the same fate.

The same view was also expressed by Imam Budi Santoso, Quantity Surveyor (QS) in Jakarta, that the identity and deed of establishment of a contractor business need to be transparent, including the number of experts in the company and a resume of expert experience in projects that have been done. These experts also agree that contractors must explain their history and track record as an assessment material for clients whether the projects that the Contractor has carried out run smoothly and on time with the expected project quality. PT XYZ has indeed been formally and legally transparent. Still, PT XYZ should have explained more profoundly and thoroughly, especially regarding the business structure and ownership, so that it follows the ideal conditions in carrying out a construction service contract. For example, suppose five of the six general assessment indicators above are unclear in the pre-qualification phase. In that case, this is a high risk of becoming a source of relationship problems between contractors and clients (explained in the next sub-chapter). Therefore, the clarity of PT XYZ's business structure and ownership is vital.

The two mentioned experts' views above support and complemented each other in building a strong and sustainable relationship between PT XYZ and ABC Institution. In building a relationship regarding financial capability, many assessment indicators need to be transparent or explained by PT XYZ to the client before and after signing the contract. Referring to the contractor assessment indicators proposed by Hatush and Skitmore (1997), contractors should provide information about their financial capabilities as a form of commitment to building strong and sustainable relationships.

According to Sutama, the failure of project financing was caused by two unavoidable conditions and had a direct impact on PT XYZ's finances, namely: the death of the main owner and director of PT XYZ (Iskandar Tedjakusuma) and the bank's refusal to apply for a construction credit by PT XYZ with a warrant guaranteed. Sutama admitted that at the beginning of the construction of the ABC Institution Q building, PT XYZ did not have sufficient working capital. As a result, this company only has a down payment of 20 percent, which ABC Institution gives after signing the contract. Based on information from Agus Toly (ABC Institution team), when submitting the down payment to PT XYZ, there was a bank guarantee (bank guarantee) as proof of PT XYZ's seriousness in working on the ABC Institution Q building project. The owner of PT XYZ is said to have a good reputation in the construction service business.

The death of the owner of PT XYZ turned out to impact the company's finances. Based on Sutama's explanation, Iskandar planned all project financing from bank loans. But after he died, all failed. The bank also rejected the loan application with an SPK guarantee because PT YZ did not have assets that could support the guarantee. The death of the primary owner of PT XYZ is the factor that has the most impact on PT XYZ's finances in financing the ABC Institution Q building project. PT XYZ submits a new loan application to a bank with an SPK guarantee after the principal owner of PT XYZ dies. Again, the bank refused PT XYZ's loan application because PT XYZ did not have assets (worth the loan) that could be used as debt collateral.

ABC Institution as a client, gave a positive answer even though it is not easy to cover the costs of PT XYZ. Sutama's statement (director of PT XYZ)
regarding ABC's answer: Fortunately, ABC Institution was kind enough to buy the materials needed for the project. This happened after we submitted an application to ABC Institution for assistance in financing the purchase of materials (via an official letter). ABC Institution certainly has special considerations to help PT XYZ. The new agreement between ABC Institution and PT XYZ is in the form of a memo made on December 21, 2016, with the substance: ABC Institution takes over the purchase of materials (which should be financed by the Contractor). ABC Institution directly purchases the materials from the relevant vendors, but the purchase remains on behalf of the Contractor. PT XYZ. Then every purchase of the material is deducted into the retention fund (ABC Institution retains the Contractor's rights as collateral).

Thus, ABC Institution's steps to provide financing for the procurement process due to the Contractor's (PT XYZ) financial failure are considered a step beyond contracts. This is inseparable from the values adopted by the institution, namely LIGHT (Love, Integrity, Growth, Humility, and Truth). ABC Institution has taken good moral actions and is trying so that PT XYZ can achieve good results, especially in completing the work on the ABC Institution project according to the construction service contract.

The acronym LIGHT is explained as follows: Love is defined as loving others, and Integrity is related to morality (right or wrong choices, good or bad, fair or unfair). Then Growth means how ABC Institution develops as a whole. Then, Humility is a humble attitude or character in everyday life. Lastly, truth means adhering to the correct principles according to the Christian faith adopted by ABC Institution. Therefore, in addition to saving the project, it continues to run. Another consideration from ABC Institution is the value of humanity which is one of the essences of the value of love.

ABC Institution is certainly moved with compassion to see the financial condition of PT XYZ. The impact of this compassionate and humanitarian action are: (1) assisting PT XYZ in completing projects; (2) assisting (as far as possible) PT XYZ with virtue so that it learns to do better in every work on the procurement process in the future; and (3) an example for PT XYZ in improving its moral virtue to other parties. These three things are transcendent dimensions of ABC institutions (beyond contracts) that can bring benevolent and loving effects to others.

The contract agreed upon by ABC Institution and PT XYZ was unreliable in overcoming the financial failure the Contractor experienced. Completing a delayed project that finally had to be bailed out by the client was certainly not easy. However, ABC Institution certainly took the step of relationship beyond contracts with great patience in overcoming the financial problems faced by PT XYZ. This step is not easy because raw material prices generally increase in delayed projects, and some materials that have been installed and are still waiting for the continuation of development experience damage. In addition to providing financial support for PT XYZ, the ABC Institution team had to replace certain parts of the damaged project so that it would not affect other parts of the construction building. This means even though ABC Institution has bailed out PT XYZ, the project work by the Contractor cannot be perfect, so the ABC Institution team handles certain parts

6. Conclusions

Since the pre-qualification stage, contractor transparency is essential in building strong relationships with clients or project owners in carrying out a construction project, both formal (legal terms and documents) and essential requirements (financial ability to finance projects). However, in building a relationship beyond the contract, PT XYZ has not been transparent about the organizational structure and ownership of PT XYZ (related to organizational responsibility in the failure of project financing).

PT XYZ's business's organizational structure and ownership were only known in more detail after failing to finance the project. The organizational structure and ownership of PT XYZ do not meet the requirements of a limited liability company (PT), which should be owned by at least 2 (two) people who are not husband and wife and have assets separate from the owner's finances. PT XYZ, audit results of business books in the last three years, profit/loss accounts, contingencies (uncertainty of loss/profit), and potential threats of lawsuits (litigation). PT XYZ also did not explain significant factors that might impact its business, existence, final turnover, the value of fixed assets, additional assets, and new debt. When PT XYZ fails to finance the project, the ABC Institution has overcome it with a relationship beyond the contract model. First, to bail out the Contractor's finances so that PT XYZ can still carry out the project work contract until it is complete. The policy of ABC Institution follows the institution's values, especially the value of love or humanitarian considerations. Thus, the Contractor can finally complete the ABC Institution building project even though the quality must be polished or assisted by the ABC Institution team.

References

Abdul-Rahman, H., Takim, R., & Min, W. S. (2009). Financial-related causes contributing to project delays. Journal of Retail & Leisure Property, 8,
Anastasia, N. (2022). Interview results on June 16, 2022