IMPROVEMENT OF ALTERNATIVE DISPUTE RESOLUTION METHODS FOR SETTLEMENT OF DISPUTES IN CONSTRUCTION PROJECTS IN SRI LANKA

Herath Mudiyanselage Wimansi Buddhika Herath

209239N

Master of Science in Project Management

Department of Building Economics

Faculty of Architecture

University of Moratuwa

Sri Lanka

March 2026

IMPROVEMENT OF ALTERNATIVE DISPUTE RESOLUTION METHODS FOR SETTLEMENT OF DISPUTES IN CONSTRUCTION PROJECTS IN SRI LANKA

Herath Mudiyanselage Wimansi Buddhika Herath

209239N

Dissertation submitted in partial fulfillment of the requirements for the degree

Master of Science in Project Management

Department of Building Economics

Faculty of Architecture

University of Moratuwa

Sri Lanka

MARCH 2026

DECLARATION

I declare that this is my own work and this dissertation does not incorporate without acknowledgement any material previously submitted for a Degree or Diploma in any other University or Institute of higher learning and to the best of my knowledge and belief it does not contain any material previously published or written by another person except where the acknowledgement is made in the text. I retain the right to use this content in whole or part in future works (such as articles or books).

Signature: Date:

The above candidate has carried out research for the Masters dissertation under my supervision. I confirm that the declaration made above by the student is true and correct.

Name of the supervisor: Mr. M.D.T.E Abenayake

Signature of the supervisor: Date:

DEDICATION

“To My Beloved Family”

You are the pillars of my success and the heart of my inspiration.

ACKNOWLEDGEMENTS

The research was made possible with the support of many individuals. While it is challenging to acknowledge each person individually, it is my responsibility to extend my gratitude to all of them.

Firstly, I would like to express my deepest gratitude to my supervisor, Mr. M.D.T.E Abenayake for his invaluable guidance, support and patience throughout the entire process of this dissertation. Without his insightful feedback and encouragement, this work would not have been possible.

I would also like to extend my sincere thanks to Ch.QS (Mr.) Indunil Senevirathna, Programme Director of MSc in Project Management (PM) Degree Programme as well as Ch.QS.Dr.Suranga Jayasena, Head of the Building Economics. I am thankful to the all my other lectures for their advice and sharing of knowledge helped my work. Furthermore, I express my gratitude to administrative staff of the Master of Science Degree in Project Management for their assistance during my research. Additionally, I am grateful to the non-academic staff members of the Department of Building Department for their support.

I am indebted to the industry practitioner and other professionals who participated in the questionnaire survey and interviews. Their willingness to share their experience and insights has greatly enriched this work.

My sincere appreciation goes to my staff members for their valuable ideas, assistance, and commitment, which were instrumental in the success of this work.

Finally, I wish to express my deepest gratitude to my mother, husband and three lovely children for their immense support and patience during difficult times. This work is as much theirs as it is mine.

ABSTRACT

IMPROVEMENT OF ALTERNATIVE DISPUTE RESOLUTION METHODS FOR SETTLEMENT OF DISPUTES IN CONSTRUCTION PROJECTS IN SRI LANKA

Construction disputes are complex and technical in nature, making them more difficult to resolve than disputes in any other industry. As the volume of construction activities grows in Sri Lanka, there is a need to develop efficient and timely practices for resolving disputes. In the traditional context, the most commonly adopted method of resolving disputes was litigation. However, the limitations of the litigation process, such as cost, time, lack of confidentiality, and the adversarial system, led to the need for Alternative Dispute Resolution (ADR).

The aim of the research is to develop strategies for enhancing the effectiveness of the Alternative Dispute Resolution (ADR) methods for the settlement of disputes in construction projects in Sri Lanka. The difficulties faced in the process of adopting the ADR methods have been identified, along with the advantages of the ADR process. The advantages of the ADR process include speed, cost-effectiveness, flexibility, confidentiality, and the maintenance of professional relationships. The objectives of the present research are to identify the current practices of ADR in the Sri Lankan construction industry, how to improve the effectiveness of ADR, problems faced during ADR, and advantages of ADR in construction industry. The mixed-method approach used to carry out this research is literature review, questionnaire survey, and expert interviews. From the literature review, the research identified ADR methods used were negotiation, mediation, adjudication, and arbitration. Further, ten industry experts from different fields, such as project managers, quantity surveyors, architects, structural engineers, construction managers, and legal advisors were also interviewed to gain expert knowledge of the industry. The results show that ADR practices such as negotiation, adjudication, mediation, arbitration, and Dispute Adjudication Boards are being used on a large scale in the construction industry. A remarkable contribution has been made by ADR practices in improving dispute resolution. However, there are some challenges that need to be addressed, including lack of awareness of ADR practices, complexities and cost, technology, voluntariness, and enforcement of ADR practices from a legal perspective. In order to address these challenges, several strategies were identified in this research, including awareness, education, and training; standardization of ADR practices; technology integration; effective communication and early intervention; collaborative practices; and regulatory support. These strategies are expected to enhance ADR practices in the Sri Lanka construction industry and contribute to more efficient dispute resolution.

Keywords: ADR methods; Disputes; Construction industry; Settlement

CONTENTS

DECLARATION i

DEDICATION ii

ACKNOWLEDGEMENTS iii

ABSTRACT iv

CONTENTS v

LIST OF FIGURES ix

LIST OF TABLES x

LIST OF ABBREVIATIONS xi

LIST OF APPENDICES xii

CHAPTER 1 1

INTRODUCTION 1

1.1. Background of the Research 1

1.2. Research Problem 3

1.3. Research Aim 4

1.4. Research Objectives 4

1.5. Research Methodology 5

1.6. Scope and Limitations 5

1.7. Chapter summary 7

CHAPTER 2 8

LITERATURE REVIEW 8

2.1. Introduction 8

2.2. Disputes in the Construction Industry 8

2.2.1. Causes for disputes 8

2.2.2. Managing of disputes for Construction and other Sectors 9

2.2.3. Increase in disputes in Construction and other Sectors 10

2.3. Application of ADR methods to Construction Industry in line with Project Management 11
2.4. Disputes in the Construction projects in line with Project Management 12
2.5. Disputes resolution methods used in Construction Industry 13
2.5.1. Litigation 14
2.5.2. Drawbacks in Litigation 15
2.5.3. Alternative Dispute resolution methods used in Construction Projects 16
2.5.4. Usage of ADR methods for Project Management 19
2.6. ADR methods used in different industries 21
2.6.1. ADR methods used in Infrastructure Development Sector 22
2.6.2. ADR methods used in Commercial and Business Sectors 23
2.6.3. ADR methods used in Manufacturing and Apparel Industry 24
2.7. Effectiveness of ADR methods in settling disputes in Construction project management 25
2.8. Advantages of ADR methods in settling disputes in Construction project management 26
2.9. Different clauses and different Provisions for ADR methods in construction project management 28
2.9.1. FIDIC documents 28
2.9.2. CIDA documents 30
2.10. Challengers and limitations of ADR methods in Construction project management Sri Lanka 32
2.10.1. Challenges to Implementing ADR Methods 32
2.10.2. Limitations of ADR Methods 33
2.11. Issues and problems encountered by project managers and other professionals in their practice 34
2.12. Strategies enhancing the effectiveness of ADR methods in Construction project management in Sri Lanka 35
2.12.1. Awareness and Education 35
2.12.2. Standardization of ADR Procedures and methods 36
2.12.3. Improved Communication 36

2.12.4. Early Intervention 37
2.12.5. Professional Development 37
2.12.6. Technology Integration 37
2.12.7. Regulatory Support 38
2.12.8. Stakeholder Engagement 38
2.13. Summary 39
CHAPTER 3 41
RESEARCH METHODOLOGY 41
3.1. Research design 41
3.2. Conceptual framework of the research 41
3.3. Study Population 45
3.4. Sampling Techniques 46
3.5. Data collection 47
3.6. Data analysis 48
3.7. Ethical considerations in implementing the methodology 49
3.8. Summary 50
CHAPTER 4 51
DATA ANALYSIS AND FINDINGS 51
4.1. Introduction 51
4.2. Objectives of Expert interviews 51
4.3. Findings and analysis of Expert interviews 51
4.4. Details of the interviewees of expert interviews 51
4.5. Analysis of the ADR Methods in the Construction Industry 53
4.6. Analysis for Evaluation of ADR Aspects 54
4.6.1. Applicability of ADR Methods 54
4.6.2. Analysis of Advantages of ADR Methods in the Construction Industry 57
4.7. Analysis of Challenges in Using ADR Methods 61
4.7.1. Additional Issues, Problems, and Conflicting Areas in Using ADR Methods 63
4.8. Analysis for Strategies for Effective Implementation of ADR Methods 66

4.9. Discussion 68
4.9.1. Awareness of ADR methods 68
4.9.2. Standardization of ADR Procedures and methods 68
4.9.3. Improved Communication and Early Intervention 69
4.9.4. Professional Development and Technology Integration 69
4.9.5. Regulatory Support and Legal Enforceability 70
4.9.6. Strategies to Address Challenges in Implementing ADR Methods in the Construction Industry 70
4.10. Summary 71
CHAPTER 5 72
CONCLUSION AND RECOMMENDATIONS 72
5.1. Conclusion 72
5.1.1. Objective 1: To identify different ADR methods used in Sri Lanka Construction Industry. 72
5.1.2. Objective 2: To analyze the feasibility and benefits of the ADR methods for the settlement of disputes in construction projects. 73
5.1.3. Objective 3: To review issues problems and conflicting areas of ADR methods used by project managers and other professionals in Sri Lanka. 74
5.1.4. Objective 4: To make strategies for ADR methods for effective implementation of ADR methods in Sri Lanka. 75
5.2. Recommendation 76
5.3. Further Research 79
5.4. Summary 80
REFERENCES 81
APPENDIX A 92

LIST OF FIGURES

Figure 1: Conceptual framework of the research 42

LIST OF TABLES

Table 1 : ADR methods used in different industries 21
Table 2 : Summary of Literature Findings on ADR Implementation in Construction Projects 39
Table 3: Operationalization of the variables in the conceptual framework 43
Table 4 : Details of the interviewees of expert interviews 51
Table 5 : Identification of ADR Methods in Construction Industry 53
Table 6 : Applicability of Process 55
Table 7: Advantages of ADR Methods 57
Table 8 : Analysis Challenges in Using ADR Methods 61
Table 9 : Additional Issues, Problems, and Conflicting Areas in Using ADR Methods 63
Table 10 : Analysis for Strategies for Effective Implementation of ADR Methods 66

LIST OF ABBREVIATIONS

Abbreviation	Description
ADR	Alternative Dispute Resolution
CIDA	Construction Industry Development Authority
DAB	Dispute Adjudication Board
FIDIC	Fédération Internationale des Ingénieurs-Conseils
RII	Relative Importance Index

LIST OF APPENDICES

Appendix	Description	Page
Appendix A	Interview Guidelines and Sample Questionnaire	91