PROJECT CASE STUDY

Supplier Dispute Mediation — Saudi Arabia

Location	Saudi Arabia (negotiation held in a third country)
Client	Major Saudi manufacturing facility (name withheld)
Year	2009
Duration	Two working days of negotiation
Role	Technical Specifications, Tender Documents, Technical Bid Evaluation, Claim Review, Negotiation and Settlement Design
Scope	USD 900,000 advanced equipment order; USD 600,000 supplier claim settled at USD 93,000

PROJECT BACKGROUND

In 2009, Eng. Naim led the preparation of the technical specifications, tender documents, and technical bid evaluation for advanced industrial equipment required by a major Saudi manufacturing facility. Following a competitive tender involving seven suppliers, a US-based supplier approved by Saudi Aramco was selected for its technical compliance and commercially attractive offer. The purchase order value was approximately USD 900,000, and fabrication began after project kick-off.

Approximately four months into fabrication, the supplier suspended work, replaced its project manager, and demanded a further USD 600,000 — about 67% of the original order. It alleged that numerous requirements were outside the agreed scope and refused to resume work unless the additional amount was paid. The dispute threatened a long-lead, high-technology procurement with delay, potential replacement costs, and legal escalation.

SCOPE OF SERVICES

- Technical specifications, tender documents, and technical bid evaluation across seven suppliers — the record on which the dispute was later resolved.
- Item-by-item review of more than 30 alleged additional items against the specifications, bid clarifications, meeting records, and correspondence.
- Commercial assessment of the root cause behind the work suspension.
- Design of a settlement the client could approve within its authority limits, and support to the client's management throughout the negotiation.

THE RESOLUTION

1. Evidence-Based Scope Review

After the supplier agreed to a negotiation meeting in a third country, Eng. Naim attended with the client's management team, bringing the specifications, bid clarifications, meeting records, correspondence, and written confirmations from the supplier's former project manager. Each of the supplier's 30+ alleged additional items was examined against the tender record: almost all had been explicitly included or resolved during bidding and clarification. Only USD 12,000 was accepted as a genuinely additional item, and the supplier acknowledged that the scope issues were resolved.

2. Identifying the Real Obstacle

Once the scope claims were settled, the supplier acknowledged that its former project manager had substantially underestimated the manufacturing cost. The difficulty was commercial, not a genuine change of technical scope. The specified components were among the best available, and the original bid was unusually low for the required technical standard — so simply enforcing the original price risked prolonging the suspension and increasing the client's overall exposure.

3. A Settlement the Client Could Approve

Eng. Naim developed a reasoned financial accommodation of USD 93,000: the USD 12,000 legitimate additional item plus USD 81,000 of further commercially justified support. The client could approve only USD 40,000 as a contract variation without a potentially lengthy board process, so he proposed allocating USD 40,000 to the variation and handling the remaining USD 53,000 as separately defined additional works. The full USD 93,000 increase was agreed and approved.

FINANCIAL POSITION

Item	Amount (USD)
Original approved purchase order	900,000
Supplier's initial additional demand	600,000
Legitimate additional item (included in settlement)	12,000
Further commercial accommodation	81,000
Total agreed and approved increase	**93,000**
Revised contract value (approx.)	**993,000**

OUTCOMES

- Agreement reached in two intensive working days.
- The supplier's USD 600,000 demand was reduced by USD 507,000 (84.5%), limiting the final increase to approximately 10.3% of the original order.
- Fabrication resumed with the specified high-performance equipment, protecting the project schedule.
- Escalation into a potentially costly international contractual dispute was avoided.

KEY LESSON

Establishing contractual entitlement is important, but protecting a project may also require identifying an economically sound path that both parties can execute. The assignment combined specification control, contractual record analysis, commercial evaluation, supplier negotiation, client management alignment, and practical resolution of approval constraints.

DISCIPLINES COVERED

Technical-Commercial Mediation • Contract Scope Verification • Supplier Negotiation • Change-Order Assessment • Procurement and Tendering • Project Recovery