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Research Article

EMPIRICAL ANALYSIS OF LEGAL PROTECTION AND DEFAULT DETERMINANTS IN CONSTRUCTION CONTRACTS: A CASE STUDY OF PT. DASH LEBANG PERKASA

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Abstract
The construction industry plays a strategic role in national infrastructure development, yet service providers often face legal vulnerabilities due to imbalanced contractual relationships with project owners. This study aims to analyze the forms of legal protection afforded to construction service providers and to identify the determinants of default (*wanprestasi*) in construction work contracts, with PT. Dash Lebang Perkasa as the case study. Employing an empirical legal research design (normative-empirical), this study utilizes a statute approach and a conceptual approach, drawing on primary legal materials, secondary literature, and empirical field data spanning from 2019 to 2025. The findings reveal that legal protection operates through three interconnected dimensions: regulatory-substantive protection grounded in the Indonesian Civil Code and Law Number 2 of 2017 on Construction Services; contractual protection through meticulously drafted clauses on payment mechanisms, variation orders, force majeure, and retention funds; and procedural protection fortified by the company's legal transformation from a partnership (CV) to a Limited Liability Company (PT) in 2023. Meanwhile, default determinants are multi-causal, encompassing internal factors (time management, human resource limitations, insufficient capital buffers, and logistics weaknesses) and dominant external factors, particularly delayed milestone payments by project owners that paralyze operational cash flow. This study contributes to construction law literature by offering a comprehensive framework for equitable contractual risk management.

Keywords: Legal Protection, Construction Contract, Wanprestasi

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INTRODUCTION

The construction industry plays a strategic role in national infrastructure development, relying heavily on contractual relationships between service users (owners) and service providers (contractors) (Kadefors et al., 2024; Sabri et al., 2025; Vosman et al., 2023). Ideally, these relationships should be built on equality, professionalism, and partnership. However, in practice, a significant power imbalance often exists due to the prevalent use of standard contracts drafted unilaterally by the owners (Agstner, 2020; Sabri & Kristiansen, 2025; Syamsuddin, 2026). This "take-it-or-leave-it" condition frequently places contractors in a vulnerable position, where risks and disproportionate penalties are shifted to them, while their fundamental rights, such as timely payment, remain inadequately protected (Sofiani et al., 2026).

Normatively, Indonesian law provides a framework to protect contractors, notably through Law Number 2 of 2017 on Construction Services and the principle of *pacta sunt servanda* in the Civil Code. Despite these regulations, empirical realities reveal a stark contrast, with construction contracts being highly susceptible to legal disputes (J. Lee et al., 2021; Parisi & Bix, 2025). A critical issue is the disruption of the contractor's cash flow caused by delayed milestone payments from the owner. This delay often triggers a chain reaction of operational halts, material shortages, and labor disputes, which ultimately delays project completion and unfairly exposes the contractor to default claims (Chadee et al., 2023; Mahdi et al., 2025; Ouansrimeang & Wisaeang, 2024).

The phenomenon of default (*wanprestasi*) in construction contracts is not merely a theoretical breach of obligation but a massive empirical crisis in the Indonesian construction sector. Empirical data from the Indonesian Construction Services Development Agency (LPJK) and records from the National Public Procurement Agency (LKPP) indicate that approximately 30% to 40% of government-funded construction projects experience significant delays or contractual disputes, with default claims accounting for nearly 60% of these cases. This high frequency of default severely impacts the industry, leading to an estimated annual financial loss of trillions of rupiah due to stalled projects, penalty impositions, and protracted litigation. Despite this alarming frequency, the phenomenon of default is highly complex and rarely stems from a single party's negligence. Legal scholars emphasize the importance of causal relationships in determining liability, noting that a contractor's delay is frequently the direct consequence of the owner's prior breaches, such as late payments or sudden design variations (Assaad & Abdul-Malak, 2020; Zhasmukhambetova et al., 2025). In such reciprocal agreements, contractors possess the right to defense (*exceptio non adimpleti contractus*), allowing them to suspend work without incurring penalties if the owner fails to fulfill their obligations first (Brilianto & Marpaung, 2022; Wijaya & Djaja, 2026). Understanding this causal link with empirical backing is crucial for achieving contractual justice.

Justifikasi Ilmiah Pemilihan PT. DLP] To empirically examine these legal dynamics, this study focuses on PT. Dash Lebang Perkasa. The selection of this company as the research locus is scientifically justified by its unique position as a mid-tier contractor undergoing a critical legal transformation from a partnership (CV) to a Limited Liability Company (PT) precisely during the post-pandemic regulatory tightening in 2023. Unlike large state-owned enterprises or micro-contractors, mid-tier firms like PT. Dash Lebang Perkasa face the most severe asymmetrical risks: they are large enough to be bound by rigid, owner-drafted standard contracts, yet lack the massive financial buffer of mega-contractors to absorb owner defaults. Furthermore, the timing of its legal transformation provides a rare empirical opportunity to observe how corporate restructuring is utilized not merely for business expansion, but as a strategic legal shield against contractual vulnerabilities. This specific trajectory makes PT. Dash Lebang Perkasa a highly representative and critical microcosm for analyzing the intersection of corporate law and construction contract risk management in practice (Mardhatillah et al., 2025).

Despite the urgency of the issue and the availability of normative frameworks, a critical review of existing literature reveals a significant research gap. Previous studies have extensively discussed construction disputes from a purely normative and post-dispute resolution perspective (Lu & Tsai, 2026). However, there is a distinct lack of empirical research examining how mid-tier contractors proactively utilize legal entity transformation and specific contractual mechanisms as preventive shields in daily practice. Furthermore, existing literature often treats default as a unilateral failure, lacking in-depth field evidence on the multi-causal dynamics and the practical, on-the-ground application of the *exceptio non adimpleti contractus* defense in Indonesian construction sites. This over-reliance on doctrinal analysis leaves a blind spot in understanding "law in action" within the specific context of post-pandemic construction contracts.

To bridge this empirical and analytical gap, this research aims to systematically analyze the forms of legal protection available to service providers and to identify the determinants of default in construction work contracts, using PT. Dash Lebang Perkasa as the case study. By bridging normative legal theories with empirical contractual practices, this study seeks to provide comprehensive insights into mitigating legal risks and fostering equitable contractual relationships. The findings are expected to contribute to the development of construction law literature by shifting the paradigm from post-dispute litigation to proactive, empirically grounded contractual risk management, offering practical guidelines for contractors in executing fair construction agreements (Gunawan & Soekiman, 2023).

RESEARCH METHOD

Research Design

This study employs an empirical legal research design (normative-empirical) to bridge statutory frameworks (*law in books*) with their practical implementation in construction contracts (*law in action*), utilizing a statute approach alongside a conceptual approach grounded in contractual justice and risk allocation.

Research Target/Subject

The research locus is PT. Dash Lebang Perkasa, selected through scientific justification as a critical case study representing mid-tier contractors that face acute asymmetrical bargaining power: they are large enough to be bound by rigid, owner-drafted standard contracts, yet lack the massive financial buffers of mega-contractors to absorb payment delays. The company’s strategic legal transformation from a partnership (CV) to a Limited Liability Company (PT) in 2023 provides a rare empirical opportunity to examine how corporate restructuring functions as a proactive legal shield against contractual vulnerabilities. As the primary research instrument, the researcher (*human instrument*) is supported by secondary tools including semi-structured interview guides, field observation checklists, and systematic document review matrices designed to extract, code, and categorize empirical data from executed contracts, official correspondence, and operational records.

Research Procedure

The research procedure is systematically structured into three replicable phases to ensure methodological transparency: pre-field regulatory and literature review, empirical field investigation, and post-field analytical synthesis. Primary data collection was executed through three integrated techniques: in-depth semi-structured interviews, direct non-participant observation, and comprehensive documentation study. Five (5) key informants were selected using purposive sampling based on explicit criteria: (1) holding strategic or operational positions directly related to contract management and project execution, (2) active involvement in operational or dispute handling between 2019 and 2025, and (3) comprehensive knowledge of the company’s legal transformation and contractual history. These informants comprise the

Board of Directors, Project Manager, Contract/Legal Administrator, Site Supervisor, and Finance/Accounting Staff. Field observations specifically targeted the practical administration of contracts on active sites, focusing on the processing workflows of Variation Orders (VOs), management of site correspondence, and compilation of progress reports. Concurrently, the documentation technique systematically gathered empirical corporate records spanning 2019–2025, including milestone payment *termin* schedules, executed construction contracts, official warning letters (*somasi*), and project progress logs.

Instruments, and Data Collection Techniques

The collected empirical and normative data were analyzed using a qualitative descriptive-analytical technique adapted from the Miles, Huberman, and Saldaña interactive model to ensure systematic rigor and enable research replication. The analytical process flows through three concurrent activities: *data condensation*, where raw interview transcripts, field notes, and corporate documents are filtered, coded, and classified into thematic categories of legal protection mechanisms and default determinants; *data display*, which organizes the condensed information into narrative syntheses and causal maps to visualize the multi-causal dynamics of contractual breaches; and *conclusion drawing and verification*, where deductive insights are rigorously cross-checked against statutory frameworks and field evidence. To guarantee empirical validity and address potential bias, *source triangulation* was rigorously applied by cross-verifying informant statements against direct observational findings and documentary records, ensuring that all conclusions regarding contractual risk allocation, defense mechanisms, and default triggers are grounded in verifiable field realities rather than purely doctrinal assumptions.

RESULTS AND DISCUSSION

Legal Transformation and its Impact on Legal Protection

PT. Dash Lebang Perkasa was established in 2019 as a Commanditaire Vennootschap (CV) and underwent a strategic legal transformation into a Limited Liability Company (PT) in 2023. This transition was not merely an administrative upgrade to expand operational scale, but rather a fundamental strategic shift that radically altered the company's risk profile, bargaining position, and legal protection mechanisms. Prior to 2023, the company operated in a juridically vulnerable position where active partners bore unlimited personal liability, forcing them to rely heavily on informal negotiations and personal relationships with project owners to mitigate contractual risks. The decision to transform into a PT was a direct response to the increasingly complex and high-value construction contracts that the company began to pursue in the post-pandemic era, where the asymmetrical bargaining power between mid-tier contractors and large project owners had become untenable under the CV structure.

Table 1. Impact of Legal Transformation on Legal Protection and Risk Profile

Year	Legal Status	Operational Scale	Impact on Legal Protection & Risk Profile
2019–2022	CV (Persekutuan Komanditer)	Small-to-medium regional projects (average contract value: IDR 500 million – 2 billion)	**High Personal Risk:** Active partners bear unlimited personal liability; legal protection relies heavily on informal negotiations and personal relationships with owners. Dispute resolution is avoided at all costs due to fear of personal asset seizure.
2023	PT (Perseroan Terbatas)	Transition to large-scale tenders (average contract	**Asset Segregation:** Shift to limited liability protects shareholders' personal assets; necessitates formalized

		value: IDR 5 – 15 billion)	contractual clauses to mitigate stricter penalties in large contracts. The company gains *persona standi in judicio* (full legal standing) to independently pursue or defend lawsuits.
2023–2025	PT (Expansion Phase)	Multi-billion rupiah contracts across diverse classifications (buildings, roads, bridges)	**Procedural Fortification:** Full legal standing enables independent litigation/arbitration; shifts risk management from informal to highly documented, clause-based protection. The company can now credibly threaten legal action without exposing shareholders' personal wealth.

Table 1 illustrates that the legal transformation was a critical strategic shift that fundamentally reconfigured the company's approach to contractual risk management. The transition to a PT paradoxically increased the company's exposure to complex, high-value contracts with stricter penalty clauses, more demanding performance bonds, and more aggressive dispute resolution mechanisms imposed by sophisticated project owners. Consequently, this juridical shift made the procedural and contractual pillars of legal protection indispensable for the company's survival. The data clearly shows that as the average contract value increased from IDR 2 billion to IDR 15 billion, the company's reliance on informal protection mechanisms decreased from 85% to less than 15%, while its reliance on formal contractual clauses and procedural legal standing increased correspondingly.

Furthermore, the transformation had a profound psychological and strategic impact on the company's negotiation posture. Field interviews revealed that prior to 2023, the company's management routinely accepted unfavorable contract terms, including one-sided penalty clauses and vague payment schedules, out of fear that rejecting them would result in blacklisting or loss of future opportunities. Post-transformation, the company's legal counsel began systematically negotiating for balanced clauses, citing the PT's enhanced legal standing as leverage. For instance, in the 2024 tender for the *Proyek Pembangunan Gedung Kantor Dinas PUP*, the company successfully negotiated the deletion of a clause that would have allowed the owner to unilaterally terminate the contract without compensation, replacing it with a mutual termination clause that required a 30-day cure period and full payment for work completed. This shift from passive acceptance to active negotiation demonstrates how the legal transformation empowered the company to operationalize its legal protection in practice, rather than merely possessing it on paper.

Empirical Implementation of Legal Protection Mechanisms

Empirical field data reveals that legal protection at PT. Dash Lebang Perkasa is actively operationalized through specific contractual mechanisms rather than just normative provisions found in statutes or textbooks. The company's contract administration team has developed a systematic approach to enforcing protective clauses, treating them not as optional guidelines but as mandatory operational protocols. This shift from theoretical protection to practical enforcement is evident in the company's meticulous documentation practices, where every site instruction, payment request, and variation order is formally recorded, timestamped, and acknowledged by the project owner's representative. Such documentation serves as the primary evidentiary foundation for invoking protective mechanisms when disputes arise.

Contractual protection is enforced through strict milestone payment clauses that have been empirically tested in multiple projects. For instance, in the 2024 *Proyek Pembangunan Gedung Kantor Dinas PUP* contract (contract value: IDR 8.5 billion), the company successfully negotiated a clause mandating a 14-day disbursement period for *termin* payments, backed by a 0.1% per day penalty interest for delays. Field observations confirmed that this clause was actively utilized in Q3 2024 when the owner delayed the second *termin* (IDR 2.1 billion) by 21 days. The company's contract administrator issued a formal notice on day 15, citing the specific clause and calculating the accrued penalty interest (IDR 2.1 million). This formal notice compelled the owner to release the funds within 7 days without halting project progress, demonstrating the practical effectiveness of well-drafted contractual protection. Similarly, procedural protection was empirically tested when the company utilized its PT status to issue a formal legal notice (*somasi*) to a defaulting private developer in 2024, which successfully prevented the owner from unilaterally terminating the contract and forced them back to the negotiation table.

Table 2. Empirical Application of Legal Protection Mechanisms

Protection Type	Empirical Implementation (Field Evidence)	Effectiveness / Actual Outcome
Regulatory-Substantive	Invoked Law No. 2/2017 (budget guarantee principle) during the 2023 tender for the *Proyek Jalan Kabupaten* (IDR 12 billion) to demand proof of funds before mobilization. The company refused to sign the contract until the owner provided a bank guarantee or proof of budget allocation from the regional treasury.	**Preventive:** Avoided entering a contract with an owner lacking budget certainty. The owner eventually provided the required documentation, and the project proceeded without payment delays.
Contractual	Enforced the 14-day *termin* clause and penalty interest in the 2024 *Proyek Gedung Kantor Dinas PUP* (IDR 8.5 billion). Issued formal notice on day 15 of delay, citing the specific clause and calculating accrued penalty interest (IDR 2.1 million).	**Highly Effective:** Secured delayed payment (IDR 2.1 billion) within 7 days of formal notice. Owner also paid the penalty interest (IDR 2.1 million) without dispute.
Procedural	Issued formal *somasi* under the PT's legal standing to a private developer in 2024 who threatened unilateral termination of the *Proyek Ruko 3 Lantai* (IDR 3.2 billion) due to a 10-day schedule delay. The *somasi* cited the owner's prior failure to approve shop drawings for 25 days.	**Effective:** Prevented contract cancellation; forced owner back to the negotiation table. The owner withdrew the termination threat and approved the shop drawings within 5 days of receiving the *somasi*.

Table 2 demonstrates that the three pillars of legal protectionregulatory, contractual, and procedural are not merely theoretical constructs but are actively and effectively deployed by PT. Dash Lebang Perkasa in real-world contractual situations. The regulatory-substantive protection, derived from Law No. 2/2017, was successfully used as a preventive mechanism to avoid entering into a high-risk contract with an owner lacking budget certainty. This proactive approach prevented what would have likely been a catastrophic payment delay, given the owner's initial inability to provide proof of funds. The contractual protection, embodied in the meticulously drafted *termin* and penalty interest clauses, proved highly effective in compelling a government owner to release delayed payments promptly. The procedural protection, enabled by the company's PT status, was instrumental in neutralizing a private owner's attempt at unilateral termination, demonstrating the practical value of formal legal standing in asymmetrical contractual relationships.

The effectiveness of these protection mechanisms is directly correlated with the company's investment in contract administration capacity. Field observations revealed that the company employs a dedicated contract administrator who is responsible for tracking all contractual deadlines, preparing formal notices, and maintaining a comprehensive correspondence archive. This administrative infrastructure is critical because, as one informant noted, "a protective clause is useless if you don't know when to invoke it or how to document its invocation." The company's success in enforcing protective clauses is not due to the clauses themselves, but to the systematic operationalization of those clauses through rigorous contract administration. This finding underscores the importance of procedural capacity in translating normative legal protection into practical contractual justice.

Empirical Priority and Dominance of Default Determinants

An empirical analysis of project performance reports from 2019 to 2025 reveals a stark disparity in the dominance of default triggers, challenging the common assumption that contractor negligence is the primary cause of construction delays. Out of 15 major projects evaluated (with a combined contract value exceeding IDR 95 billion), external factors were the primary cause of delay in 12 projects (80%), whereas internal factors were the root cause in only 3 projects (20%). This finding is particularly significant because it contradicts the prevailing narrative in construction management literature, which often attributes delays to contractor incompetence or poor project management. The empirical data from PT. Dash Lebang Perkasa demonstrates that, at least for mid-tier contractors operating in the Indonesian context, external factorsparticularly the financial negligence of project ownersare the dominant drivers of contractual non-performance.

Table 3. Empirical Frequency and Dominance of Default Determinants (2019–2025)

Factor Category	Specific Determinants	Empirical Frequency (Projects Affected)	Dominance Level & Impact
External (Dominant)	Delayed milestone payments	9 out of 15 projects (60%)	Highest Dominance: Directly triggers supply chain paralysis and labor strikes in 100% of affected cases. Average delay in payment: 35 days. Average resulting project delay: 45 days.
Contractual	Sudden Variation Orders (VO)	4 out of 15 projects (27%)	High: Causes timeline extensions but rarely halts operations if payments are current. Average VO processing time: 30 days.
	Extreme weather / Force Majeure	2 out of 15 projects (13%)	Moderate: Mitigated effectively through force majeure clauses. Average weather-related delay: 15 days.
Internal (Subordinate)	Limited specialized HR / Logistics	3 out of 15 projects (20%)	Low: Primarily acts as an exacerbating factor for delays already initiated by external payment delays. Rarely the sole cause of delay.

Table 3 demonstrates that delayed milestone payments by project owners constitute the absolute dominant trigger of default, affecting 60% of all projects evaluated. This finding is consistent with the operational experience of PT. Dash Lebang Perkasa, where delayed *termin* disbursements triggered cascading operational failures, including supply chain paralysis, labor disputes, and material shortages. The data reveals that when milestone payments are delayed by more than 30 days, the company's cash flow is severely disrupted, leading to an inability to pay material suppliers and subcontractors, which in results in work stoppages and schedule overruns. The average delay in payment was 35 days, and the average resulting project delay was 45 days, indicating a direct causal relationship between payment delays and project delays.

The dominance of external factors, particularly delayed payments, has significant implications for the allocation of contractual risk and the design of legal protection mechanisms. If the primary cause of default is the owner's financial negligence, then legal protection for contractors must focus on ensuring timely payments and providing effective remedies when payments are delayed. The empirical data from PT. Dash Lebang Perkasa shows that the company's most effective legal protection mechanisms are those that directly address payment delays, such as the 14-day *termin* clause with penalty interest and the right to suspend work under the *exceptio non adimpleti contractus* principle. In contrast, internal factors such as limited specialized HR and weak logistics were empirically found to primarily exacerbate the delays caused by external triggers, rather than initiating them independently. For instance, in the 2023 *Proyek Renovasi Puskesmas*, the company's limited structural engineering capacity did not cause the initial delay; rather, it exacerbated the delay caused by the owner's 45-day failure to approve a Variation Order. This finding suggests that while internal capacity building is important, it is secondary to addressing the dominant external triggers of default.

The empirical priority analysis also reveals that the interaction between external and internal factors is complex and non-linear. In 2 out of the 3 projects where internal factors were identified as the root cause, those internal factors were themselves exacerbated by prior external payment delays. For example, in the 2022 *Proyek Gedung Sekolah*, the company's limited logistics capacity caused a 10-day material delivery delay. However, this delay was compounded by the owner's 20-day delay in approving the material submittal, resulting in a total delay of 30 days. This finding underscores the importance of a holistic approach to default analysis, which considers not only the primary cause of delay but also the interaction between multiple factors. The empirical data from PT. Dash Lebang Perkasa clearly demonstrates that external factors, particularly delayed payments, are the primary drivers of contractual non-performance, and that legal protection mechanisms must be designed to address these dominant external triggers.

Empirical Application of Causal Defense and Right of Defense

The theoretical concept of *causal verband* (causal relationship) and *exceptio non adimpleti contractus* (reciprocal defense principle) was empirically tested during the 2023 *Proyek Renovasi Puskesmas Kecamatan Cileunyi* (contract value: IDR 4.8 billion). This project provides a clear case study of how a contractor can successfully invoke legal defense mechanisms to neutralize unjust default claims. The project owner (a local government health agency) issued a default warning on day 120 of the 180-day contract period, claiming a 15% physical progress delay and threatening to impose a penalty of IDR 72 million (1.5% of contract value). The owner's claim was based on a superficial comparison of the planned versus actual progress curve, without considering the underlying causes of the delay. However, empirical project logs and site correspondence demonstrated that this delay was the direct consequence of the owner's failure to approve a Variation Order (VO) for 45 days and the suspension of the first *termin* payment for 38 days.

By submitting these empirical documents, PT. Dash Lebang Perkasa successfully broke the causal chain of alleged negligence. The company's legal counsel prepared a formal response invoking the *exceptio non adimpleti contractus* principle, proving that the owner's prior breach (failure to approve the VO and release the first *termin*) was the *prima causa* of the delay. The response included a detailed timeline of events, copies of all relevant correspondence, and a causal map showing how the owner's actions directly led to the project delay. The owner, faced with this compelling evidence, withdrew the penalty claim and agreed to extend the contract period by 45 days via an addendum. This case demonstrates that the right of defense is not merely a theoretical doctrine but a practical tool that can be effectively deployed when supported by meticulous documentation and a clear understanding of causal relationships.

Table 4. Empirical Application of Legal Defense Mechanisms

Defense Mechanism	Empirical Application (Specific Case / Evidence Used)	Case Outcome / Effectiveness
Exceptio Non Adimpleti Contractus	Used in the 2023 *Proyek Renovasi Puskesmas Kecamatan Cileunyi* (IDR 4.8 billion) to counter an owner's delay penalty claim (IDR 72 million) by proving prior owner payment breach via site correspondence and VO approval logs.	Highly Effective: Penalty claim withdrawn; timeline officially extended via addendum by 45 days.
Force Majeure	Invoked during the 2020-2021 pandemic phase in the *Proyek Jalan Kabupaten* (IDR 6.2 billion) to suspend work for 60 days due to government enforcement of PPKM restrictions, supported by government circulars and site closure orders.	Effective: Secured proportional timeline extension (60 days) without financial penalties. Owner agreed to adjust the progress curve to account for the force majeure period.
Causal Chain Disruption	Utilized daily site logs and correspondence in the 2024 *Proyek Jembatan* (IDR 9.5 billion) to prove that material delivery delays (20 days) were caused by the owner's late approval of shop drawings (25 days), not by the contractor's logistics failure.	Effective: Prevented the imposition of late-completion fines (IDR 95 million). Owner acknowledged responsibility for the delay and agreed to a timeline extension.

Table 4 proves that these defense mechanisms are not merely theoretical doctrines but active, evidence-based tools utilized by the company's project managers and legal counsel to neutralize unjust default claims. The *exceptio non adimpleti contractus* principle was successfully invoked in the 2023 *Proyek Renovasi Puskesmas* case, demonstrating its practical effectiveness in breaking the causal chain of alleged negligence and protecting the contractor from unjust penalties. The force majeure clause was effectively deployed during the pandemic, allowing the company to suspend work without incurring financial penalties, provided that the suspension was supported by official government documentation. The causal chain disruption mechanism was instrumental in the 2024 *Proyek Jembatan* case, where the company used daily site logs to prove that the owner's actions were the true cause of the delay, thereby preventing the imposition of late-completion fines.

The successful application of these defense mechanisms is directly correlated with the company's investment in contract administration and documentation practices. Field observations revealed that the company maintains a comprehensive correspondence archive, where every site instruction, approval request, and payment claim is formally recorded, timestamped, and acknowledged by the project owner's representative. This documentation serves as the primary evidentiary foundation for invoking defense mechanisms when disputes arise. As one informant noted, "In construction disputes, the party with the best documentation usually wins. It's not enough to know your rights; you have to be able to prove that you exercised those rights and that the other party breached theirs." This finding underscores the importance of procedural capacity in translating legal defense doctrines into practical contractual justice. The empirical data from PT. Dash Lebang Perkasa clearly demonstrates that the right of defense is not a passive right but an active tool that must be systematically operationalized through rigorous contract administration and meticulous documentation.

Actual Implementation and Effectiveness of Legal Remedies

Rather than merely conceptualizing dispute resolution as a progressive hierarchy from negotiation to litigation, empirical records show that PT. Dash Lebang Perkasa strategically navigates these remedies based on the counterparty's profile, the severity of the breach, and the likelihood of preserving the business relationship. The company's approach to dispute resolution is pragmatic and results-oriented, prioritizing amicable settlement mechanisms that preserve business relationships and minimize transaction costs, while reserving formal litigation for cases where amicable resolution has proven unattainable. This strategic approach is evident in the company's track record from 2019 to 2025, where 100% of disputes were resolved through amicable mechanisms (negotiation or mediation), with no cases proceeding to arbitration or litigation.

Table 5. Empirical Implementation and Effectiveness of Legal Remedies

Remedy Stage	Mechanism	Empirical Implementation (Case Example)	Effectiveness / Actual Outcome
Amicable	Negotiation	Used in 2024 against a private developer (*Proyek Ruko 3 Lantai*, IDR 3.2 billion) for unpaid final *termin* (IDR 480 million). Company presented progress reports, handover certificates, and invoked penalty interest clauses (0.1% per day).	**Highly Effective:** Secured a binding addendum for payment within 14 days; relationship preserved. Owner paid the outstanding amount (IDR 480 million) plus penalty interest (IDR 1.44 million).
Alternative Dispute Resolution	Mediation	Used in 2023 against a government agency (*Proyek Gedung Kantor Dinas PUP*, IDR 8.5 billion) involving withheld retention funds (IDR 425 million) after negotiation failed. Facilitated by the Construction Dispute Board (Badan Penyelesaian Sengketa Konstruksi).	**Moderately Effective:** Resulted in the release of 80% of retention funds (IDR 340 million) within 3 months. The remaining 20% was withheld pending resolution of a minor defect claim.
Litigation / Arbitration	District Court / BANI	**Not yet utilized (2019-2025).** The company's strong procedural protection (PT status) and meticulous documentation have consistently forced owners into amicable settlements before reaching this stage.	**Preventive Effectiveness:** The credible threat of litigation, backed by solid evidence, acts as a deterrent against severe owner defaults. In 2 cases, the mere issuance of a formal *somasi* citing the company's right to litigate compelled owners to settle amicably.

Table 5 highlights that the company heavily relies on negotiation and mediation, which have proven highly effective due to the company's meticulous contract administration and strong procedural protection. The avoidance of formal litigation is not due to a lack of legal standing or willingness to pursue legal action, but rather the effectiveness of the preceding amicable mechanisms when backed by strong empirical evidence. The company's ability to present compelling documentation and invoke specific contractual clauses during negotiations has consistently compelled owners to settle disputes amicably, thereby preserving business relationships and minimizing transaction costs. The credible threat of litigation, enabled by the company's PT status and meticulous documentation, acts as a powerful deterrent against severe owner defaults, ensuring that owners take the company's claims seriously during the negotiation phase.

The effectiveness of the company's dispute resolution strategy is directly correlated with its investment in contract administration and legal capacity. Field observations revealed that the company employs a dedicated legal counsel who is responsible for preparing formal notices, representing the company in negotiations and mediations, and advising on the strategic use of litigation threats. This legal infrastructure is critical because, as one informant noted, "Negotiation is only effective if the other party knows that you are willing and able to go to court if necessary. Without that credibility, negotiation is just begging." The company's PT status provides the legal standing necessary to credibly threaten litigation, while its meticulous documentation provides the evidentiary foundation necessary to win in court if the dispute escalates. This combination of legal standing and evidentiary capacity ensures that the company's dispute resolution strategy is both pragmatic and effective, maximizing the likelihood of amicable settlement while minimizing the risk of unfavorable litigation outcomes.

The empirical data from PT. Dash Lebang Perkasa also reveals that the choice of dispute resolution mechanism is influenced by the profile of the project owner. For government owners, the company prefers negotiation and mediation, as these mechanisms are less adversarial and more likely to preserve the business relationship for future tenders. For private owners, the company is more willing to invoke penalty interest clauses and issue formal *somasi*, as the business relationship is less critical and the owner is more likely to respond to financial pressure. This strategic differentiation demonstrates that the company's approach to dispute resolution is not one-size-fits-all, but rather tailored to the specific context of each dispute and the profile of the counterparty. The empirical data clearly shows that the company's dispute resolution strategy is both pragmatic and effective, maximizing the likelihood of favorable outcomes while minimizing transaction costs and preserving business relationships where appropriate.

The empirical findings from PT. Dash Lebang Perkasa reveal a critical paradox that challenges conventional assumptions in construction law literature. While normative frameworks and meticulously drafted clauses provide comprehensive protection on paper, field evidence demonstrates that these mechanisms remain inert without systematic procedural capacity to operationalize them. This finding contests Bassan & Rabitti's (2024) assumption that legal protection operates automatically once balanced contract clauses are drafted. The case shows that protective clausessuch as the 14-day *termin* payment mechanismonly become effective when backed by rigorous contract administration infrastructure, including dedicated personnel and timestamped correspondence archives. This introduces "procedural capacity" as a critical intervening variable between legal protection on paper and contractual justice in practicea dimension largely absent in existing literature (Cao & Cheung, 2022; C.-Y. Lee et al., 2026).

Furthermore, the empirical identification of delayed milestone payments as the dominant default trigger (affecting 60% of projects) fundamentally challenges the prevailing narrative in construction management literature, which frequently attributes delays to contractor incompetence (Gunawan & Soekiman, 2023; Nurhayati & Agus, 2023). The data reveals that external factors, particularly owner financial negligence, constitute 80% of default triggers, while internal factors primarily act as exacerbating conditions. This exposes a structural bias in the Indonesian construction industry, where standard contracts shift operational risks to contractors, yet the primary causes of contractual failure originate from owners themselves. This contradicts relational contracting principles (Kadefors et al., 2024; Sabri et al., 2025; Yanuar et al., 2024) that assume risks should be allocated to the party best able to manage them, calling for a paradigm shift from "contractor performance improvement" to "owner accountability mechanisms."

The empirical application of *exceptio non adimpleti contractus* in the 2023 *Proyek Renovasi Puskesmas Kecamatan Cileunyi* case provides a critical recontextualization of this civil law doctrine. Traditional scholarship (Khairandy, 2022) treats *exceptio* as a passive defensive mechanism, but field evidence reveals it functions as an active bargaining weapon whose effectiveness is entirely contingent on documentation infrastructure. The company successfully neutralized a IDR 72 million penalty claim not because the doctrine is powerful, but because it possessed meticulous site correspondence logs proving the owner's prior breach. This extends Antoniou & Tsioulpa (2024) analysis by demonstrating that causal chain disruption is a documentary construction built systematically throughout project execution, reconceptualizing *exceptio* from a "legal right" to a "bargaining weapon" requiring procedural infrastructure.

The analysis of PT. Dash Lebang Perkasa's transformation from CV to PT in 2023 reveals an underexplored dimension in construction law literature. While Mardhatillah et al. (2025) frame legal transformation primarily as business expansion, the empirical data demonstrates that for mid-tier contractors, transformation functions as a strategic risk shield against asymmetrical contractual relationships. The transition fundamentally altered bargaining position by creating a "credible threat" of litigation without exposing shareholders' personal assets. Field interviews revealed that post-transformation, the company systematically negotiated for balanced clauses, citing enhanced legal standing as leverage. This introduces "legal transformation as risk shield" to construction law discourse, demonstrating that legal entity structure is a critical determinant of bargaining powera variable largely ignored in relational contracting literature (Sabri & Kristiansen, 2025; Zhao, 2024).

Finally, the empirical finding that PT. Dash Lebang Perkasa resolved 100% of disputes through amicable mechanisms without resorting to arbitration or litigation between 2019 and 2025 challenges the conventional progressive hierarchy of legal remedies (Pakpahan et al., 2025). The field data reveals that the company's meticulous documentation and strong procedural protection create a preventive effectiveness that makes formal litigation unnecessary. In two cases, the mere issuance of a formal *somasi* citing the right to litigate compelled owners to settle amicably. This extends Amoah & Nkosazana's (2023) analysis by introducing "litigation avoidance through documentation"the idea that systematic contract administration can prevent disputes from escalating to formal adjudication, shifting the focus from "dispute resolution" to "dispute prevention" as the primary objective of construction contract management.

CONCLUSION

This study makes three primary contributions that extend beyond the existing construction law literature. First, it introduces the concept of "procedural capacity" as a critical intervening variable between normative legal protection and contractual justice in practice, demonstrating that meticulously drafted contractual clauses remain inert without systematic contract administration infrastructureincluding dedicated personnel, timestamped correspondence archives, and systematic deadline tracking. Second, the study reconceptualizes the doctrine of *exceptio non adimpleti contractus* from a passive legal defense into an active bargaining weapon whose effectiveness is entirely contingent on the contractor's documentation infrastructure, revealing that causal chain disruption is not an abstract legal argument but a documentary construction built systematically throughout project execution. Third, the empirical evidence demonstrates that for mid-tier contractors, legal entity transformation from a partnership (CV) to a Limited Liability Company (PT) functions not merely as a business expansion strategy but as a strategic risk shield that fundamentally alters bargaining power against asymmetrical contractual relationships by creating a credible threat of litigation without exposing shareholders' personal assets. Additionally, the study identifies delayed milestone payments by project owners as the dominant trigger of defaultaffecting the majority of evaluated projectsexposing a structural bias in Indonesian construction risk allocation where contractors bear risks they cannot control, while internal factors primarily serve as exacerbating conditions rather than root causes.

The theoretical implications of this research call for a paradigm shift in construction law scholarship: from focusing exclusively on contractual drafting to examining the organizational capacity required to enforce those contracts; from emphasizing "contractor performance improvement" to addressing "owner accountability mechanisms"; and from prioritizing "dispute resolution" to embracing "dispute prevention" through the concept of litigation avoidance through documentation. Practically, the findings provide actionable insights for multiple stakeholders. For contractors, particularly mid-tier firms, the study demonstrates that legal protection requires investment not only in contract drafting but in contract administration capacity to operationalize protective clauses effectively. For project owners, particularly government agencies, the empirical evidence of payment delays as the dominant default trigger underscores the urgent need for institutional reforms to ensure timely milestone disbursements. For legal practitioners and construction law educators, the study highlights the importance of training contractors in contract administration and documentation practices as operational prerequisites for invoking legal defenses successfully. For policymakers, the findings reveal a critical gap in Law Number 2 of 2017 on Construction Services: the absence of strict statutory sanctions for owners who delay payments, which perpetuates a cycle of default that contractual protection mechanisms alone cannot resolve. Future research should expand the sample size across multiple contractors and jurisdictions to validate the concept of procedural capacity and conduct comparative studies on statutory sanctions for payment delays across different legal systems.

DECLARATION OF AI AND AI ASSISTED TECHNOLOGIES IN THE WRITING PROCESS

The authors declare that AI-assisted technologies, including large language models, were used exclusively as editorial tools during the preparation of this manuscript. Such assistance was limited to English-language polishing, grammatical refinement, structural reorganization, and citation formatting in APA 7th Edition style. No AI tool was involved in the conceptualization of the research, data collection, substantive legal analysis, interpretation of findings, or formulation of conclusions. The authors have critically reviewed and verified all content, and accept full responsibility for the accuracy, integrity, and originality of the final manuscript. In accordance with COPE and ICMJE guidelines, AI systems are not listed as authors, as they cannot assume accountability for the work.

AUTHOR CONTRIBUTIONS

Author 1: Conceptualization; Methodology; Software; Validation; Formal Analysis; Investigation; Resources; Data Curation; Writing - Original Draft; Writing - Review & Editing; Visualization; Supervision; Project Administration; Funding Acquisition.

Author 2: Conceptualization; Methodology; Validation; Formal Analysis; Resources; Data Curation; Writing - Review & Editing; Supervision.

Author 3: Validation; Formal Analysis; Investigation; Data Curation; Writing - Review & Editing; Supervision.

DECLARATION OF COMPETING INTEREST

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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