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**MITIGATE THE CONSEQUENCES ON CONTRACTOR'S PROFIT  
BY VARIATIONS AT RURAL DOMESTIC RESIDENTIAL  
CONSTRUCTION: CASE STUDY: SME CONSTRUCTION  
COMPANY OF SRI LANKA.**

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**Abstract:** Variation orders are initiated for value analysis purposes to realize the balance between the cost, functionality, and durability aspects of a project and clients' satisfaction. Variations reduce costs and increase quality, and it is standard to optimize the client's benefits against the resource input by eliminating waste expenses. And other, projects with many variations cause contractors to achieve lower productivity levels. In the local context, especially in rural, scale contractors majorly involved with individual residential constructions, experience the changes of contracted design, as private clients tend to supplement with additional or deductive works at designs. Thus such situations cause a considerable amount of variations, then need to be planned and managed with strategies to manage with assumed profit margin. In this, it was studied the strategies to manage the variations to maintain the profit margin of SME contractors of residential unit constructions in Sri Lanka, in the light of qualitative study inputs. Accordingly, a case-study approach was carefully chosen instead of a SME construction company, managing a purposive sample for interviews (12) at a content analysis, to identify benefits, and strategies applied to manage the variation orders. The results highlighted as: Increasing the Profit & Overhead margin, claiming with a clear analysis of items rate breakdown, obtaining significant discounts from suppliers, and Negotiation with the client before stating variation work, with a proposal of way forward, contractor share considering the opinions of the client.

**Keywords:** Variation order, contractor, profit.