

## **AN EVALUATION OF SUCCESS FACTORS OF FOREIGN CONSTRUCTION COMPANIES IN LAGOS STATE**

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**Abstract:** This research was conducted in order to evaluate the determinants of success of the foreign construction companies in Lagos State. The research study examined the nature of projects handled by expatriate contractors in Lagos State. It also identified and assessed the factors that determine successful performance of these contractors. The study gathered its information from both primary and secondary sources. Data from the primary source were collected from seventy-five construction professionals both in the public and private sectors. The sampling technique employed was simple random sampling and the statistical tool used was descriptive statistics. The findings from this study revealed that road construction is always being awarded to foreign contractors. It also found out that technological development, good quality of work and financial assistance from parent countries were the factors that determine the successful performance of these expatriate companies. The study concluded that construction projects handled by foreign construction companies do experience problems of cost and time overruns. The study finally recommended that the Nigerian government should make funds available to indigenous contractors through long term loans to enhance their development.

**Keywords:** Success determinants; indigenous contractors; foreign construction companies.

### **Introduction**

The Nigerian Construction Industry appeared to be in favour of foreign companies as against the indigenous /home based in the award of contracts. The existence of foreign construction firms in Nigeria can be traced to the colonial days and up till today, most of government's projects are handled by these contractors. Idoro (2007) described foreign construction companies as expatriate firms that are mainly private firms jointly owned by Nigerians and foreigners but solely managed by the expatriates. Though the expatriate construction firms are few in number, they carry out 90% of the total construction works in Nigeria. Most of Federal Government projects are awarded to these firms as confirmed by Olateju (1991, cited in Idoro, 2008). However, the dominance of the Nigerian Construction Industry by foreign

firms is not a peculiar one as many other developing countries of the world are faced with this problem. In Papua, New Guinea, general construction activity is dominated by large overseas construction companies who undertake majority of the engineering and building construction projects funded by the private and public sectors (Wasi, Bridge, and Skitmore, 2001). According to Assibey-Mensah (2008), Ghana's Construction Industry has been dominated by foreign construction companies from the days she gained independence from Britain. Foreign investors in China became interested in developing advanced commercial buildings, building new residential housing and renovating existing buildings, and projects like public infrastructures and energy plants with Government encouragement and they became world favourites as the foreign investors (Thim and Zonggui, 2004). Broadman ;2007 as cited in Burke (2007) also stated that Tanzania's construction industry remains dominated by foreign companies because indigenous companies lack necessary skills, experience and financial resources to engage in projects valued above US \$2million. All these studies confirmed that developing countries of the world have their construction industries dominated by expatriates firms while the indigenous firms are being left to struggle to compete with them. Dulaimi and Hwa (2001)'s study showed that the local contractors recognized that foreign contractors have better track records in executing construction projects and this gives them an edge i.e. swing awards of projects in their favour. Furthermore, Inyang-Udoh (2006) showed that indigenous contractors are not always given the chances to tender for building and civil engineering projects in Nigeria. Idoro (2004) also maintained that the Nigerian construction industry was indeed dominated by expatriate contractors. It can be seen that there is a difference in the levels of patronage of the two categories of construction companies in Nigeria. Although the participation of foreign contractors in a developing economy may impact negatively on the operations of local /indigenous contractors, Strassman and Wells (1988) asserted that the foreign construction companies have a great contribution to make to improve host countries' construction industries. This can be in terms of quality performance, transfer of technology to lead to the upgrading of local contractors and offering training and advisory services. High quality, low cost and delivery on time have been identified as the fundamental characteristics of world class contractors. These set of contractors have also been tagged as front-runners in their respective fields as they enjoy global and diversified operations and extend their operations beyond their countries. This study therefore is out to evaluate the success determinants of

foreign construction companies with a view to suggesting solutions to improve the growth of the indigenous construction companies to achieve a high- rated world class standard.

### **Statement of Problem**

The dominance of the Nigerian construction industry by foreign construction companies have been highlighted by various researchers (Edmonds, 1979, Ogunpola, 1984 as cited in Idoro, 2008 and Idoro, 2004). This has however resulted in lower level of patronage of the indigenous construction firms which in turn has prevented their growth to achieve highly-rated world standard. It has also led to the inability of these companies to achieve the desired level of development in terms of technological breakthrough. Unemployment amongst university and polytechnic graduates has been on the increase in Nigeria and this has affected graduates of construction related professions that could have been employed by the indigenous firms that do not have the capacity to absorb them.

### **Research Questions**

1. Which types of projects are handled by foreign construction companies in Lagos State?
2. What are the problems faced by foreign construction companies?
3. What are the factors contributing to the success of foreign construction companies in Lagos State?

### **Literature review**

Project success in the construction industry in Nigeria, and in most developing countries, is measured by the 'golden triangle' parameters such as time, cost and quality (Ojiako, Johansen & Greenwood, 2008). The high number of project failures suggests the existence of underlying success factors which have not been identified. Success factors are those inputs to the project management system that directly increase the likelihood of achieving project success. Nguyen, Ogunlana and Lan (2004) identified and grouped success factors under four categories which are C-FOUR: competence, comfort, communication and commitment. Idoro (2004) traced the participation of expatriate contractors in construction in Nigeria to the colonial days and opined that construction practice and technology in Nigeria had witnessed significant foreign participation from that period to the present day. Edmonds (1979, cited in Idoro, 2008) opined that expatriate construction firms are large construction companies and few in number, but they carry out 90% of the total construction works in Nigeria. Ogunpola (1984, cited in Idoro, 2008) also supported this assertion by maintaining that expatriate contractors' participation on construction projects in Nigeria accounted for a substantial proportion even though their numerical strength was about 7% of the total number of

contractors. All these studies confirmed that indigenous construction companies in Nigeria faced stiff competition with their foreign counterparts. There is the need to investigate those factors which have actually earned the expatriate contractors such an advantage in order to improve the performances of the local contractors.

### **Research methodology**

Research Design: This study was carried out in Lagos State because many construction works are being carried out in the state. The study was a survey that utilizes cross-sectional design. Information for the primary data was collected from clients and construction professionals in various establishments within Lagos Metropolis while the secondary information was gathered from the review of relevant literatures on the subject matter of the study.

### **Population of the Study**

The population of the study was public clients and construction professionals including Architects, Project Managers, Quantity Surveyors, Structural, Electrical and Mechanical Engineers, both in the public and private sectors.

### **Sample size and Sampling Techniques**

A sample size of 120 was used for this study. This sample was obtained using simple random sampling technique. This is because the researcher believed that all the elements of the study population are capable of giving meaningful replies to the questions asked.

### **Method of Data Collection**

Data collected for this study were from both the primary and secondary sources. A well-structured questionnaire designed by the researcher was used to gather primary data from the respondents. These questionnaires were administered on the respondents by the researcher with the assistance of some professional colleagues. Some respondents however did not return their questionnaires while some were collected after the analysis had been carried out. The secondary data for the study on the other hand were gathered through a review of published articles from relevant professional journals.

### **Method of Data Analysis**

The number of questionnaires received for the analysis was seventy-five (75). The computer software package that was used was SPSS. And the statistical tool that was used is descriptive statistics which include the use of tables, percentages and mean scores.

$$M_s = \frac{5SA + 4A + 3SM + 2D + 1SD}{5N}$$

Where

Ms	=	Mean Score
SA	=	No of respondents who answered strongly agree.
A	=	No of respondents who answered agree.
SM	=	No of respondents who answered somehow agree.
D	=	No of respondents who answered disagree.
SD	=	No of respondents who answered strongly disagree.
N	=	Population of study

### Data presentation and analysis

Category of Projects Handled by Foreign Construction Companies in Lagos State

Table 1: Nature / Category of Project Handled by Foreign Construction Companies

Nature / Category of Projects	Mean	Rank
Civil Engineering: Road Constructions	4.19	1
Building: New Works	3.5	2
Civil Engineering: Road Rehabilitation	3.03	3
Building Services	2.42	4
Building: Refurbishment / Re-modernization	1.85	5

From table 1 above, road constructions with a mean of 4.19 ranks highest as the project handled by foreign contractors in Lagos State. This is closely followed by new building works with a mean of 3.50. Building refurbishment / re-modernization however ranks lowest with a mean of 1.85.

**Table 2: Problems associated with Construction Projects handled by Foreign Contractors in Lagos State.**

Problems on Construction Projects	Mean	Rank
Cost overruns	2.99	1
Time overruns	1.99	2
Occurrence of accidents on Construction sites	1.71	3

Table 2 shows that cost overruns with a mean rank of 2.99 ranks highest as the problem associated with projects handled by foreign construction companies in Lagos State. Occurrence of accidents on Construction sites with a mean of 1.71 however ranks lowest among the problems identified above.

## Factors Contributing to the success of foreign contractors in Lagos State

**Table 3 Success factors of foreign construction companies in Lagos State**

Success Factors	Mean	Rank
Technological Development	4.52	1
Good quality of Work	4.40	2
Financial assistance form parent country	4.08	3
Commitment, motivation and on-going guidance from headquarters	3.974	
Interpersonal relationship between individuals and groups	3.96	5
Regulatory environment of the host country	3.67	6
Selection of partner organizations from host country	3.64	7
Ability to trust host partners	3.55	8
Political and social climate of host country	3.49	9
Cultural adaptation of foreign workers	3.09	10

From table 3, Technological Development with a mean of 4.52 ranks highest as a success factor while good quality of work and financial assistance from `parent country with mean scores of 4.40 and 4.08 rank 2nd and 3rd respectively. Cultural adaptation of foreign workers in host country with a mean of 3.09 however ranks lowest as a success factor.

### Discussion of Findings

#### Nature / Category of Projects Handled by Foreign Contractors in Lagos State

The findings from this study showed that the nature of projects carried out mostly by foreign contractors in Lagos State is civil engineering projects and the category is road construction works. This is clearly indicated by a mean of 4.19. It shows that clients favour the award of this category of projects to the foreign based construction companies. Although, the majority of respondents are in consultants' organization, this finding can be taken to be reliable because the consultants' response showed that majority of them had been involved in the award and execution of such projects.

Furthermore, this study also found new building construction works as the second highest in ranking among the category of projects handled by foreign construction companies. This also indicates the multinational companies have been favoured more than the indigenous contractors in the award and execution of this category of projects.

The third in ranking among the type of project handled by the multinational construction companies in Lagos State is Civil Engineering i. e road rehabilitation works. The researcher however agrees with this finding in that those who construct roads should be preferred in

rehabilitating such roads so as to ensure good quality of work in sustaining the roads. Building services and refurbishment / re-modernization works are the fourth and fifth respectively in the ranking of the category of projects handled by the multinationals in Lagos State. This finding agrees with Wasi et al (2001)'s study that stated that minor construction works are usually awarded to indigenous contractors in developing countries. These findings are as expected because these categories of projects may not attract large sums of money. The researcher believes that the foreign based construction companies may not show much interest in these categories of projects.

### **Problems Associated with Construction Projects Handled by Foreign Contractors in Lagos State**

The findings of this study on the above shows that cost overruns i.e. increase in the cost of construction projects is the problem that is mostly associated with projects handled by foreign contractors in Lagos State. Some respondents however stated that this problem is not caused by the contractors but it does occur most times as a result of variations to projects either to the design or the introduction of new or additional works. The study also found time overruns i.e. extension of the completion date of the project as the next in the ranks of the problems associated with projects handled by multinational companies in Lagos State. This finding may be as a result of the introduction of additional works to the project, thereby elongating the completion date beyond its initially agreed date. Moreover, the study also found occurrence of accidents on construction project' sites as the least of problems encountered on projects handled by foreign contractors. This finding shows that foreign contractors do take the safety of their workers very seriously and the researcher believes that such safety measures being taken prevent the occurrence of accidents such as injury to persons on sites both the worker and visitors respectfully.

### **Factors Contributing to the Success of Foreign Construction Companies in Lagos State**

This study found technological development as the highest factor that contributes to the success of foreign contractors in Lagos State. This finding compliments Idoro (2008)'s study that the level of mechanization in the Nigerian Construction industry is still low. Another finding of the study is that good quality of work also contributes to the success of multinational construction companies in Lagos State. This finding also agrees with Idoro and Akande-Subar (2008) that expatriate contractors are better than their indigenous counterparts in quality performance. Another finding of this study also shows financial assistance from parent country as a success factor for the expatriate companies. This finding is very relevant

and it is as expected. Indigenous contractors may be faced with cash flow problem due to the nature of construction works executed by them as found by this study. This finding also shows that the multinational Construction Companies have adequate financial support from their parent countries and can therefore procure materials and equipment with ease and execute the projects awarded to them without waiting for the time they will get paid. This study also found commitment, motivation and on-going guidance from headquarters, interpersonal relationship between individuals and groups and regulatory environment of the host country to be relevant success factors to the expatriate companies. Moreover, partner selection from host countries and ability to trust these partners have also been found as contributors to the success of foreign companies. This study also found the political and social climate as a fair success determinant factor. This may be connected with the incessant problems in the Niger Delta Area of Nigeria. Although, the study is carried out in Lagos, the recent problem of kidnapping going on in different parts of the country might be a reason why this factor is not ranking high. The last of the findings of this study shows cultural adaptation of foreign workers as the least success determinant factor. This finding is as expected because the culture of these foreigners differs entirely from the Nigerian Culture. Therefore, it is not surprising to the researcher that this factor is ranking lowest.

### **Conclusion**

From the findings of this research, the following conclusion is made:

Construction clients in Lagos State prefer to award Civil Engineering Projects particularly road construction as well as new building works to expatriate contractors.

Construction projects handled by expatriate companies do experience problems of cost overruns and time overruns although this may not be due to the fault of the contractor.

Accidents on construction sites do not occur often on projects handled by expatriate companies. Expatriate construction companies have been successful in the execution of construction works in Lagos State as a result of high level of technological development, good quality of work, availability of finance when needed as a result of the support of parent countries and commitment, motivation and on-going guidance from headquarters.

### **Recommendations**

From the analysis of the research and conclusion, the researcher hereby recommends the following:



- (i) The Nigerian government should make funds available to indigenous contractors in the form of long term loans so as to enable them procure necessary equipment for executing construction projects.
- (ii) Equal opportunities should be given to both the indigenous and expatriate construction companies in the award of all types of projects to ensure the growth of the former.
- (iii) The Nigerian government should also encourage indigenous contractors to extend the frontier of their business beyond the shores of Nigeria to other countries of the world. In this way, more job opportunities can be created for construction related graduates and thereby, improving the country's balance of trade.

### **Areas for Further Research**

Future researchers may investigate how indigenous contractors in Nigeria can be developed into a world class standard of contractors.

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