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The Impacts of Foreign Constructions Companies on Indigenous Companies: Nigeria as a Case Study

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ABSTRACT

This research was conducted in order to evaluate the impact of foreign construction companies on the Nigerian construction industry. The research study examined the nature of projects handled by foreign contractors in Warri. It also identified and assessed the factors that determine the successful performance of local 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.

Key words: Nigerian construction companies, foreign companies, Contractors, Government, Technological development

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1. INTRODUCTION

The Nigerian Construction Industry appeared to be in favor of foreign companies as against the indigenous or 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 the government's projects are handled by these contractors. [1] 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 [2]. Most Federal Government projects are awarded to these firms as confirmed by [3,4]. Conversely, 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 foreign construction companies who undertake the majority of the engineering and building construction projects funded by the private and public sectors [5,6,7].

According to [8,9,10], 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 favorites as foreign investors [12,13]. [14,15] also stated that Tanzania's construction industry remains dominated by foreign companies because indigenous companies lack the necessary skills, experience, and financial resources to engage in projects valued above USD 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. [16] 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 favor. Furthermore, [17] showed that indigenous contractors are not always given the chance to tender for building and civil engineering projects in Nigeria. [18] also maintained that the Nigerian construction industry was indeed dominated by foreign 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 contractors, [19] 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. This 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.

Therefore, the study is focused on the assessment of the impacts of foreign construction companies on Nigerian construction companies with a view of suggesting strategies to improve operation of indigenous companies to world standards.

2. MATERIALS AND METHODS

The methods used for the study include research design, sampling frame, sample size, collection instrument, data presentation, and analysis. According to [20], research is defined as "a structured inquiry that utilizes acceptable scientific methodology to solve problems and creates new knowledge that is generally applicable". A survey research design was adopted for this study. The study also focused on the causes and effects of building project failure in the Nigerian construction industry which is a rampant phenomenon that involves major stakeholders/practitioners in the construction industry in Nigeria. Therefore, the study population includes selected corporate clients, contractors, quantity surveyors, architects, civil engineers, and builders within the study area.

2.1. Sample size

According to [19,20] there are several approaches to determine the sample size. These include using a census for population, imitating a sample size to similar size of similar studies, using published Tables, and applying the formula to calculate formula [20]. The adequacy of a sample is assessed by how the sample is to be drawn. The total population for this study includes selected registered contractor quantity surveyors, architects, civil engineers, and builders within the study area [16 as indicated in equation (1). Table 1 show the sampling frame of respondents.

$$n = \frac{N}{1 + N * e^{\infty 2}} \qquad (1)$$

where
N: population size
n: sample size
e: significance level , for eg. (0.05)

Table -1 Sampling respondents

S/N	Respondents	Number
1	Architects	70
2	Civil Engineer	60
3	Quantity Surveyor	50
4	Builders	45
5	Contracts	40
6	Total	265

2.2. Sample techniques

The process of sampling or selection of a part of the population, from which the characteristics of the larger population can be inferred, has long been accepted as a legitimate and expeditious method of research in Odeyinka's study as cited in [20]. Sampling theory distinguished between probability and non-probability sampling. For the purpose of this study, stratified sample techniques were adopted, which is one of the Probabilities sampling techniques this is considered simple and convenient to the achievement of the targeted number of respondents for this study.

2.3. Data collection instrument

Data for the study was generated through an opinion-based questionnaire survey. This approach will be used in this study due to the survey nature of the research. The closed-ended questionnaire method was adopted for this study because the closed questionnaire has a set number of responses as Odeyinka & Iyagba study as indicated in [15]. According to [16], pre-testing of the questionnaire should be carried out and it should include different groups such as the potential of data. Therefore, in order to confirm that the data collected was comprehensible and also establish the most productive form of

data analysis, the initial draft of the questionnaire was presented to the researcher's supervisor before the general survey was carried out.

2.4. Data presentation and analysis

There is the need to employ an appropriate method of data analysis on the research from field surveys. Data analysis involves the use of multiple analytical techniques to facilitate the ease of communicating the result while at the same time improving its validity the aspect of the questionnaire relating to the background of respondents was analyzed using percentile.

3. RESULTS AND DISCUSSION

Data is a set of observations and measurements taken from an experimental survey or an external source of a specific variable using some appropriate measurement scale, i.e. the value obtained from observing (measuring, counting, assessing, etc.) from an experiment or survey. In this study, a total number of seventy (70) questionnaires were distributed to various respondents and fifty (50) were recovered.

3.1. Age of respondents

The result of field survey carried out on the age of respondents is shown in Table 2 and bar chart (Fig. 1). It showed that 16% of the respondents are within the age range of (20-25) years, 14% are between (26-30) years, 20% are between (31-35) years, 40% are between (36-40) years while10% of the respondents are 41years and above.

Table 3 shows the respondents' location. 32% of the respondents are from airport road, 24% are from Jakpa, 16% are from Isoko estate, 14% are from Ekpan while 14% of the respondents are also from Edjeba in Benin.

Table -2 Age of respondents

Age limits	Frequency	Percent	Valid Percent	Cumulative Percent
20-25yrs	8	16.0	16.0	16.0
26-30yrs	7	14.0	14.0	30.0
31-35yrs	10	20.0	20.0	50.0
36--40yrs	20	40.0	40.0	90.0
41yrs and above	5	10.0	10.0	100.0
Total	50	100.0	100.0	

Source: Field Survey, 2019

Table -3 Location area of respondents

Location	Frequency	Percent	Valid Percent	Cumulative Percent
Ekpan	7	14.0	14.0	14.0
Jakpa	12	24.0	24.0	38.0
Edjeba	7	14.0	14.0	52.0
Airport road	16	32.0	32.0	84.0
Isoko Estate	8	16.0	16.0	100.0
Total	50	100.0	100.0	

Source: Field Survey, 2019

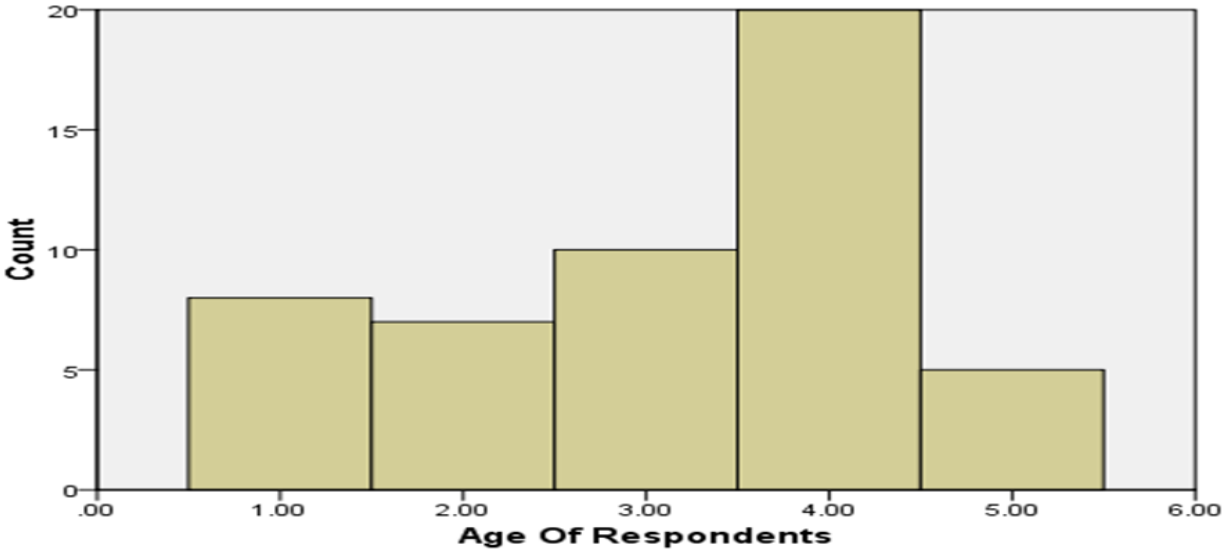

Fig. 1 Age of respondents

2.4. Academic qualification of respondents

Table 4 shows that 46% of the respondents are HND/B.Sc holder, 20% are NCE/ND holder, 2% Ph.D. holder, and 16% are M.Sc holder while 16% of the respondents are of other qualification. Also, Table 5 shows that 30% of the respondents are Engineers, 26% are Architects, 16% are Builders, and 16% are Quantity surveyor while 12% of the respondents are from other professions. From the Fig. 2 indicates that 10% of the respondents are of the age range of (1-5) years of working experience, 36% are of (6-10) years of experience, 48% are of (11-15) years of experience, 8% are of (16-20) years of experience while 4% of the respondents are of 21 years of working experience. The finding agrees with the studies [12,13,14].

Table -4 Academic qualification of respondents

Qualification	Frequency	Percent	Valid Percent	Cumulative Percent
NCE/ND	10	20.0	20.0	20.0
HND/B.Sc	23	46.0	46.0	66.0
M.Sc	8	16.0	16.0	82.0
Ph.D	1	2.0	2.0	84.0
Others	8	16.0	16.0	100.0
Total	50	100.0	100.0	

Source: Field Survey (2019)

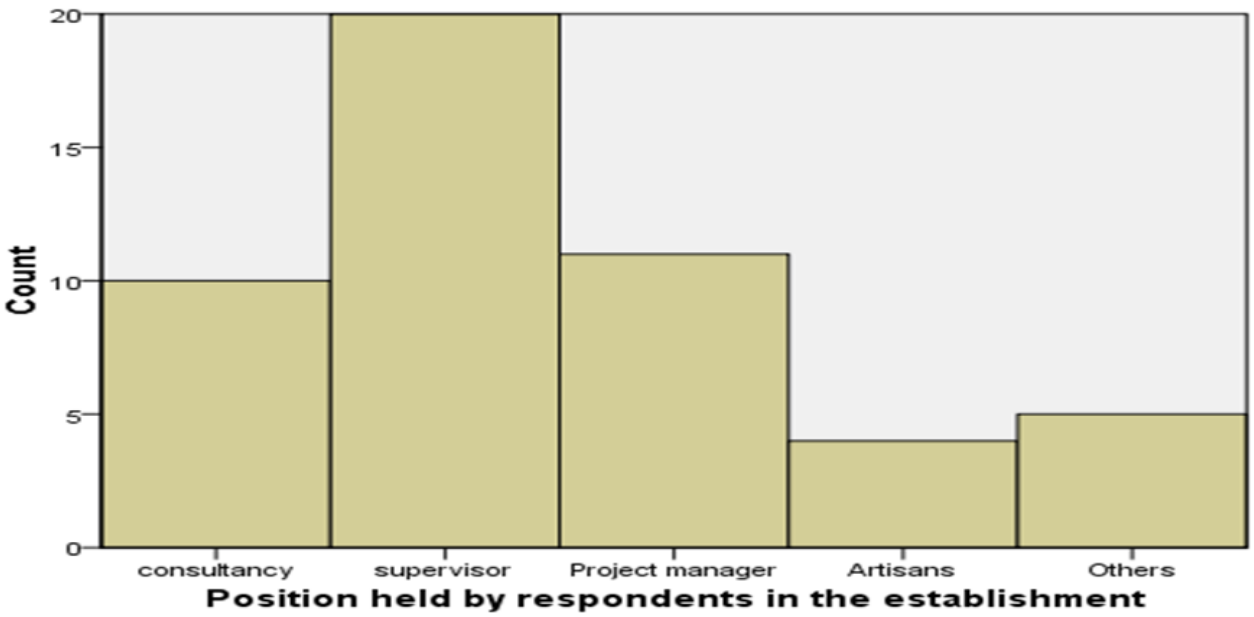

Fig. 2 Position held by respondent in the establishment

Table -5 Professions of respondents

Profession	Frequency	Percent	Valid Percent	Cumulative Percent
Architecture	13	26.0	26.0	26.0
Civil Engineer	15	30.0	30.0	56.0
Building	8	16.0	16.0	72.0
Quantity Surveying	8	16.0	16.0	88.0
Others	6	12.0	12.0	100.0
Total	50	100.0	100.0	

Source: Field Survey, 2019

2.5. Participation of foreign construction companies

The result in Table 6, showing the various rating of the causes of structural failures in buildings by the respondents, it was observed that all the mean scores are above average, indicating that the causes of the failures were very common in the study area. The use of substandard material was rank first with a mean score of 4.96 meaning that it was rated very high as the most common causes of structural failures in building, followed by poor supervision scoring a mean of 4.82 while unexpected failure mode came out as the least common cause of structural failure in Warri with a mean score of 3.26, followed by instability of the structure with a mean score of 3.28. The result shows similarity with the studies [4,6,7].

Table -6 Participation of foreign construction company in Nigeria

Index	N	Minimum	Maximum	Mean	Ranking
Faulty construction	50	4	5	4.96	1ST
Inferior / poor workmanship	50	4	5	4.82	2ND
Measurements and quantification	50	2	5	4.24	.3RD
Cost control	50	1	5	4.24	4TH
Economic growth	50	1	5	4.02	5TH
Illegal alteration and addition to an existing building	50	1	5	4	6TH
Controlling inflation and openness to global trade	50	1	5	3.82	7TH
Extra ordinary loading	50	1	5	3.82	8TH
Use of quack	50	1	5	3.78	9TH
Lack of quality management control	50	2	5	3.76	1OTH
Unprofessional conduct	50	1	5	3.72	11TH
Fire incident	50	1	5	3.66	12TH
Instability of the structure	50	1	5	3.64	13TH
Unexpected failure mode	50	1	5	3.38	14TH

Source: Field Survey, 2019

The field surveyed shows in the Table 6 above shows the various causes of structural failures in buildings which are expressed in mean scores using the scale 5-Very high, 4-high ,3-moderate, 2 Low, 1-very low.

2.6. Effects of foreign construction companies in Nigeria

Table 7 shows various rating of the effects of structural failures in building by the various respondents, all the mean score were above average (3.0)which shows that all the effects are common in the study area with occupant become temporarily homeless ranking first among the effects of the failures with mean score of 3.88, follow by the building become unfit for living with mean score of 3.84 while loss of confidents on building construction firms and loss of the nation's material resources came out least with mean score of 3.36. Table 4.10, shows the various remedial measures to structural failures in buildings which are expressed in mean scores. It is observed that all the mean value are above midpoint (3.0), which shows that the remedial measures are effective in the area with involvement of professionals rank 1st with mean value of 4.78, follow by the use of quality materials with mean value of 4.28 while government involvement came out least with mean value of 3.14, follow by provision of fire mitigating gadgets with mean value of 3.2 and Improving professionals kills through Continuous professional development with mean value of 3.0400. The result shows similarity with the studies [4,6,7].

The participation of foreign construction companies in the Nigerian construction industry was analyzed and it was observed that the use of research infrastructure and substandard material is the most common cause of expatriate contractors, followed by poor supervision. Table 7 shows the effect of foreign construction companies in Nigeria were analyzed it was observed that unethical practices by local contractors have led to the involvement of expatriates' contractor. Also, participation of local contractors, various remedial measures were analyzed and it was observed that the use of Improving professional skills through continuing professional development, can proffer ways to aid local contractors in Nigeria, followed by good design structure.

Table -7 Effect of foreign construction companies

Index	N	Minimum	Maximum	Mean	Ranking
Foreign exchannge flunctuations	50	1	5	3.88	1ST
Insecurity	50	1	5	3.84	2ND
Lack of professional proficiencies and exposure	50	1	5	3.74	3RD
Lack of specialization by professionals	50	1	5	3.74	4TH
Lack of capacity to deliver in Nigeria	50	1	5	3.72	5TH
Lack of skilled local lobour	50	1	5	3.64	6TH
Inability to embrace change/conservative attitude of professionals	50	1	5	3.6	7TH
Professional rivalry from kindred professions	50	1	5	3.58	8TH
Unavailability of material	50	1	5	3.46	9TH
Obsolete curriculum and inadequacy of modern equipment	50	1	5	3.36	10TH
Obsolete curriculum and inadequacy of modern equipment	50	1	5	11TH	11TH

Source: Field Survey, 2019

Table -8 Measures to enhance the participation of local contractors

Participation of Local Contractors	N	Minimum	Maximum	Mean	Rank
Involvement of professional	50	1	43	4.78	1ST
Use of quality material	50	2	5	4.28	2ND
Good design	50	2	5	4.22	3RD
Proper supervision	50	1	5	4.02	4TH
National building code guide	50	1	5	3.86	5TH
Good construction method	50	1	5	3.86	6TH
Frequent maintenance	50	1	5	3.76	7TH
Building plane approval	50	1	5	3.72	8TH
Provision of fire mitigating gadgets	50	1	5	3.24	9TH
Government involvement	50	1	5	3.14	10TH
Improving professionals	50	1	5	3.04	11TH

Source: Field Survey (2019)

3. CONCLUSION

Construction clients in Nigeria prefer to award Civil Engineering Projects particularly road construction, as well as a 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 Nigeria, especially in Warri, as a result of the 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 ongoing guidance from headquarters.

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