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Examining the Factors Influencing the Dominance of Expatriate Contractors in Ghana

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Abstract
This study examines the factors that influence the dominance of foreign construction firms in developing countries, using Ghanaian as typified example. A sample size of 310 respondents comprising Procurement officers, Building and Civil Construction Professionals and Managing Directors of construction and consultancy firms were used in the study. The results revealed that local contractors perform extremely poor due to the inappropriateness of organisational structure, retention of core staff, lack of competent skill labour, The results depicts that government policies and actions give foreign companies comparative advantages over local Ghanaian contractors during competitive biddings. The results of the study support the conclusion that lack of competent skill workers in the local construction industries and unfavourable government policies relating to procurement of works have negatively affects the full participation of local contractors in international competitive bidding which results in the dominance of foreign contractors in Ghanaian construction industry. It is recommended that governments of developing nations should implement policies that will build local contractors' capacity to make them competitive.

Keywords: contractors, bidding, Ghanaian, industries, construction

INTRODUCTION

The construction industry worldwide is regarded as a potent motivator of national economy, because it is the driving force which is necessary for the sustenance of a buoyant economy or reviving a depressed one (Ogbebor, 2002). In Ghana there are about twenty-two thousand and five hundred (22,500) construction firms, few of which are foreign firms. In spite of the limited number of foreign firms, almost all medium and large construction projects are handled by foreign construction firms. The dominance of foreign contractors in Ghana has the potential to threatening the development and survival of local contractors (Laryea (2010[b]). Arrival of foreign firms introduces unfair competition, not only in product market but also in labour and capital market.

The domineering nature of these foreign companies has not given the indigenous construction companies the opportunity of solely executing major engineering projects (Odediran*et al.* 2012). Oseni (2002) noted that foreign construction companies dominate the industry, to the extent that if it is decided that an indigenous construction company should execute a major engineering project, there would be no indigenous company that can single-handedly do so. At least in the opinion of the authors of this paper, it is the responsibility of every nation to nurture, develop and equip her contractors with the available project so as to have the required experience in order to execute all complexities of nation construction challenges.

There is no indication that Ghana has acknowledged the severity of the problems confronting its construction industry, let alone addressing it. Alluding to this, Ahadzie (2009) called for the need of Governments of Developing Nations to adopt Construction Industry Development Agenda (CIDA) in order to develop their indigenous construction firms. This study supports the call for such an agenda, and posits that any efforts to bringing about developments in the Ghanaian construction should be link with improvement in project execution and performance.

The aim of this study is to examining the factors that influence the dominance of foreign contractors in the Ghanaian construction industry. The aim will be achieved through the following objectives:

- To investigate the challenges hindering local construction firms from executing medium and large domestic construction projects
- To evaluate the factors promoting the influx of expatriate construction firms into the Country

Research Questions

- What are the challenges hindering local construction firms from executing medium and large domestic construction projects ?
- What are the factors that promoting the influx of expatriate construction firms into the Ghana?

Research Methods

The research design used for the study was the descriptive survey. In all 56 Procurement officers and 254 building and civil Engineering professionals from 10 public institutions across Ghana, were selected by purposive sampling techniques. In all, 386 respondents were served with questionnaires. The questionnaire has open and close ended question items. The questionnaire has three sections: section 'A' was designed to elicit personal data of the respondents. Section 'B' was to elicit information on factors that hinders the growth of local construction companies and section 'C' was to found out factors that empts the influx of foreign contractors in developing countries. The questionnaires were self-administered and distributed through personal contacts. Using 5 points Likert scale, the data collected were coded and analyzed using mean rankings.

RESULTS AND DISCUSSION

Demographic Characteristic of the Respondents

Gender and profession of respondents

A total of 384 questionnaires were distributed with 310 retrieved making a recovery rate of 80%.

Table 1. Gender and profession of Respondents

Sex	Procurement Background	Building & Civil Background				Total	%
		Civil Eng.	Building Tech	QS	Architects		
Female	12	12	-	19	19	62	20
Male	44	58	58	50	38	248	80
Total	**56**	**70**	**58**	**69**	**57**	**310**	**100**

Source field survey June 2017

From Table 1, out of the 310 respondents for the study 56 were procurement officers 12 of whom were female. The respondent with Civil and Building construction background all together were 80% of the respondents out of which were 12 female. In all the female population of the respondents was 62 representing 20%. This confirms the assertion that the construction industry is male dominated.

Education Level of Respondents

From Table 2, about 20% of the respondents are Higher National Diploma (HND) graduates, and Construction Technician Course (CTC). At least about 80% are first holders, while less than 1% have their terminal decree. This indicated that, Ghanaian constructional professionals have the requisite academic qualifications to compete and undertake large construction projects.

Table 2. Education Level of Respondents

Education Level	Procurement background	Building & Civil background	Freq.	%
HND Diploma /C.T.C	9	52	61	19.7
1st Degree	23	107	130	42
2nd Degree	24	92	116	37.4
PhD		3	3	0.99
Total	**56**	**254**	**310**	**100**

Source field survey June 2017

Challenges Hindering Local Construction Firms' Growth

Based on theoretical mean of 3.5 using 5 point Likert scale the following were found to be the lead factors that impede the competitiveness of Ghanaian construction firms: lack of financing ability, weak human resource strength, poor management skill, deficient technical ability, underprovided relevant experience in execution of similar projects, low corporate image, Fragmented front of local contractors and nonexistence of tools and equipment. Table 3 illustrates the ranking of lead factors that hampers the competitiveness of local construction firms.

Table 3. Lead factors hindering the growth of Ghanaian construction firms

Item	N	Mean	Rank
Lack of Financing Ability	310	4.29	1st
Low Corporate image	310	4.23	2nd
Underprovided Relevant Experience in executing similar projects	310	4.15	3rd
Deficient Technical Ability	310	4.12	4th
Poor Management Skill	310	4.09	5th
Weak Human Resource strength	310	4.00	6th
Nonexistence of tools and equipment	310	3.96	7th
Fragmented front of local contractors	310	3.60	8th

Source: field survey August, 2017

Lack of financial capability
From the analysis, lack of financial ability was rated first by the respondent. This factor has mean value of 4.29.The lack of financial ability has a very high consequence on local contractors` competitive ability. This is in consonance with study by Roel (2009), which illustrated that in the developing world, the lack of finance has for decades been a chronic problem for its local industries. Their study also depicted that, in the developed world accessing financial resources is not a serious issue.

Local contractors` participation in international bidding is very minimal. This could be due to the fact that local contractors have not built enough financial capacity to participate in ICB. Contractors in developing countries like Ghana have limited access to finance and it biggest consequence is that it prevents them from satisfying the financial requirement like bid and performance bond, needed to win major contracts which often are awarded to their foreign counterparts. It can therefore, be inferred that the lack of finance and credit facilities for contractors is a major factor that affect local Ghanaian contractors' performance in competitive market.

Low Corporate image
Poor corporate image rank second on the list. AS contractors' financial strength increases, his credibility image also increased making them competitive. The lack of financial capacity of local contractor has adverse effect on the corporate image of contractors. Hatus and Skitmore (1997) pointed out that as a contractor's company's financial strength increases his credibility image also increases hence placed the company to competitive advantage among clients and supplies. This points to the fact that local contractors image is linked to government fiscal policies and actions. Bank credibility rating, tax clearance certification and organizational credibility are some of the reflection of the government fiscal policies that put local Ghanaian contractors into disadvantage during competitive international bidding.

Underprovided relevant experience
Underprovided relevant experience in executing similar projects ranks third on the list with mean value of 4.15. Foreign construction firms dominate major projects in most developing countries, as a result of deficiencies in indigenous construction industries (Ofori 2000).

Experience can only be acquired by doing and trying opportunities. The indigenous companies have not been given the opportunity to solely executing major construction projects, due to the domineering advantages of the foreign companies over the local firms. At least in the opinion of the authors of this study, if government support local contractors with financial incentives to enable them employ Ghanaians expertise in construction industry and offer them good conditions of service and the opportunity to handle technologically complex projects, it will enhance their capacity to compete favourably with foreign firms in both ICB and LCB.

Deficient technical ability
Deficient Technical Ability of a construction firm can be established by examining her preferred construction techniques, the skill and expertise of her technical staff, the productivity of the contractors` services and final output (Tasmonia 1999). Lack of technical ability rating fourth with mean ranking of 4.12, signifies that, a wider gap exists in technical ability between local and foreign contractors. As, Egmond and Erkelens (2007) rightly put it "The construction industry in Ghana is suffering from a number of problems with regards to materials, machines, and personnel organization and information technology.

The construction industries in developing countries tend to use labour intensive construction methods, employ a large number of unskilled workers, and utilize poor construction management techniques. In this study it was establish that, in the current world of technology, Ghanaian contractors are still used to outdated technologies while foreign contractors are using new and innovative techniques. The discussion is supported by the views of Chen et al. (2007) that, "indigenous construction companies in Africa do not represent a strong source of competition due to lack of financial and technical capacity.

Poor management skill
Poor management skills ranked fifth with mean ranking 4.09. This illustrate that, local contractors lack effective project management and organizational skills to achieve excellent project outcome and therefore place the foreign contractors at competitive edge. Further questioning revealed that, Ghanaian contractors are a class of people who are only interested in maximizing profit and are associated with ostentatious lifestyles instead of providing clients with high quality products or services. This is exacerbated by the tendency for indigenous local contractors in developing countries to take money out of the business for spending on personal items such as cars or new house.

Weak human resource strength
Ghanaian local construction firms lack expertise and the few ones have poor conditions of service. This is evidence in the ranking of weak human resources strength as sixth with mean of 4.00. Deficiency in planning and management skills is said to be the greatest single problem for indigenous contractors in developing countries. According to Dansoh (2005),

contractors by Ghanaian standards are least organized and often have limited knowledge in the requisite management principles. This in the opinion of the current authors might be due to lack of appropriate human resource to manage the local industries.

Nonexistence of tools and equipment

Nonexistence of tools and equipment was ranked 7th with mean of 3.96.Ghanaian local construction firms lack expertise and the few ones have poor conditions of service. The challenges could be minimized with the requite modern plant and equipment in the construction industries

Fragmented front of local contractors

In Ghana there are five contractors associations; namely Building Contractors; Road Contractors; Mechanical Contractors; Electrical Contractors and Ghana Real Estate Developers Association (GREDA). There is no one body that coordinate the activities of individual associations.

The question was whether or not the fragmented front of local contractors has effect on their ability to win contract. The respondents ranked it eight with mean of 3.60. They were of the view that fragmentation front of local contractors could be a contributing factor to their inability to win both internally and externally sponsored projects. This might mean that they are not able to present very strong front in their demand from government on policies that give foreign contractors the competitive advantage.

Factors promoting influx of foreign construction firms

Unethical procurement practices, foreign donor pressure and government policies are the most prevalent factors that promote the dominance of foreign contractors in the construction industries. These factors are ranked to identify the most prevalent factors in descending order in Table 4.

Donor conditionality

In developing countries like Ghana, a high proportion of infrastructure investment is donor funded. The respondents were required to give their opinion on whether donors influence is significant in procurement of works. In Table 4 it is to be noted that Donor conditions ranked first with a mean of 4.26. Donor governments always make sure that the projects that they are funding meet international engineering standard. This requires that they (donors) have to make input in the design, procurement and execution of the projects. These inputs tend to promote expatriate construction firms, since local industries are unable to meet the demand of the project due to lack of financial and managerial capabilities.

The World Bank does not allow requirement that makes it mandatory for foreign firms to enter into joint venture with local firms and any restrictions on the sources of labour and materials, except for unskilled labour in the construction country. Government plays roles, as client, regulator, and policy maker and may have a long-term policy goal for developing local contractors. However, with these conditions it is difficult for any Government to make it mandatory for any foreign contractor to build capacity of local contractors by going into joint venture with local contractors or employ skilled labour from the beneficially country. Hence, building capacity of local contractors with help from foreign contractors is almost impossible, therefore the dominance of expatriate contractors in developing countries will continues for a longer period.

Table 4. Factors promoting the dominance of expatriate construction firms in the Ghanaian

Item	N	Mean	Rank
Donors Policies			
Foreign donor conditionality	310	4.26	1st
Evaluation criteria	310	4.23	2nd
Government Policies	310		
government fiscal policies	310	4.15	3rd
High taxation on imported plant and equipment	310	4.11	4th
Open market policy	310	3.92	5th
Political influence	310	3.88	6th
Unethical Procurement practice	310	3.52	7th

Evaluation criteria

World Bank Procurement document, does not allow any evaluation criteria other than price, the capability and resources of the bidders to undertake the contract. With tender process led by price, technical and financial capabilities of the bidder, often put local contractors into disadvantage position. This is because, as earlier been indicated, local contractors lack financial, technical, managerial capabilities to meet the set evaluation criteria.

Government policies

Most often than not Governments of Developing Countries make policies with the aim of attracting foreign investor. Some of these policies give unduly advantages to expatriate contractor over their local counterparts. Example of such policies are:

i. Government fiscal policies

Government's fiscal policy was ranked third with mean 4.15. As earlier established, local contractors have limited access to financial facilities which might be due to low Bank credibility rating and poor organizational credibility. Bank credibility rating, tax clearance certification and organizational credibility are some of the reflection of the government fiscal policies that put local Ghanaian contractors into disadvantage during international competitive bidding.

ii. High Tax on importation

Majority of the respondents attested to the fact that high tax on importation has great influence on the performance of the Ghanaian local contractors, more especially during international competitive bidding. This was rated forth with mean of 4.11. It can therefore be inferred that, high tax on imported machines and equipment might prevent local contractors from importing the relevant machines and equipment required for competitive bidding. In the opinion of the current researchers acquisition or access to the right plant and equipment would help build the capacity of local Ghanaian contractors to compete with foreign firms for large contracts and also improve their overall performance.

iii. Open market

Open market policy was ranked fifth by the respondents with mean of 3.92. Due to global market policies of World Trade Organisation (WTO), developing countries fully open their markets to the outside world. This policy restrict local contactors' ability to take advantage of opportunities in their countries and used it as a training ground for bigger projects. This weakens their bargaining position in multi-lateral trade talks and places the foreign companies at competitive advantage.

iv. Political influence

Political influence was ranked the sixth by the respondents with mean ranking of 3.88. Most of the capital investment in a developing country are undertaken by the central government and nationalized institutions of government. The government is involved in industry as purchaser (client), financier, regulator and operator. The Government not only provides the majority of finance but also controls attitudes, policies, institutions and working laws (Akintunde 2003) Respondents were of the view that Government may influence the procurement processes by creating conducive situation for expatriate contractor from whom she might have benefited. In Ghana for example, Ghana Free Zone Acts, (1995) was passed inter alia to provide incentive such as tax concession to foreign firms granted licenses under the Acts.

Unethical procurement practices

Corruption has often been touted as a problem in developing countries including Ghana. However, it may also be an opportunity for foreign firms which have the capacity to bribe government officials to win projects. Foreign construction companies in Ghana are supported by their home governments in terms of finances, equipment and influencing policy directions. Unethical procurement practices was ranked the least with mean of 3.42.

CONCLUSION AND RECOMMENDATION

A research was conducted with the aim of finding the reasons why expatriate contractors dominate the developing countries. The study support the following conclusion that, the challenges faced by the local construction industries are financial uncertainties, lack managerial skills poor human resource strength demand for sophisticated plant and equipment. Also in most developing countries, governments' incentive packages, donor policies, World Bank criteria for evaluation, government fiscal and open market policies, high taxation on import put local contractors into disadvantage conditions and hence, attract the foreign companies to developing countries

The study recommend that Ghanaian local firms operating in the construction industry need to stay full focus of their financial management, human resource strength and customer satisfaction to make them competitive.

For National sustainable development, the study also recommend that Government of developing countries should create enabling environments for indigenous contractors like reduction of tax on importation of construction equipment, evoking domestic preference clause of the World Bank procurement policy to give some level of advantage to local contractors. It is also recommended that governments of developing nations should implement policies that will build local contractors' capacity to make them competitive. Governments of Developing Countries should support local contractors with financial incentives to enable them employ indigenous expertise in construction industry with good conditions of service and the opportunity to handle technologically complex projects.

LIMITATIONS

The study is about the examination of the key factors that promote the dominance of expatriate contractors in Developing Countries using Ghana as a case study area. It would have been better if the current researchers had collaborated with counterpart from at least the West Africa Sub-region for generalization of the research findings.

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