



**DETERMINANTS OF PROJECT PERFORMANCE FOR SMALL AND MEDIUM SIZED ROADS CONTRACTORS IN KENYA: A SURVEY OF REGISTERED CONTRACTORS IN NAIROBI COUNTY**

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**ABSTRACT**

*Small and medium roads contractors (SMRCs) in Kenya perform poorly on projects they are contracted to implement. Many Kenyan citizens have condemned some of the work carried-out by the contractors and this is largely blamed on the many limitations SMRCs are facing. The emerging of resilient competition of Chinese Roads Contractors (CRC) has further complicated the matter for them. The general objective of this study was to identify determinants of project performance of small and medium size roads contractors in Kenya. Specifically the study sought to find out how the financial capacity, leadership factors, organizational culture and political economy influence the performance of small and medium size roads contractors in Kenya. The sample size was 150 small and medium size roads contractors drawn from all the categories who fall in the between NCA4 to NCA7 who were locally owned and participates in roads construction contracts in Nairobi county. In this study non- probability design using purposive homogeneous sampling was used because the researcher was interested in the representativeness of the concepts in their varying forms. Scientifically designed questionnaires were used to collect data. Data was collected, checked, edited, organized and coded by computer to reduce the mass of data obtained into a form suitable for analysis. The coded data was then, with the help of Statistical Package for Social Sciences presented on frequency distribution tables and pie charts. The research findings revealed that small and medium size roads contractors have to take loans to undertake projects and that their leadership dictates employees what needs to be done and expects cooperation and in addition small and medium size roads contractors do not engage and support their employees. On the other hand the research findings revealed that government policies in place do not adequately support small and medium size contractors and in equal measure, Political Pronouncements have influence on the project Performance. Change of political leadership has influence on the project performance.*

**Key Words:** Financial Capacity, Leadership Factors, Organizational Culture, Political Economy, Roads Contractors

## INTRODUCTION

Over the last three decades a number of studies have been carried out on project performance success (McLeod, Doolin & MacDonell, 2012; Ika, 2009; Pinto & Slevin, 1987) nevertheless, until now, there has been no consensus among researchers regarding a standard definition of project success or standard criteria for measuring it (Baccarini, 1999; McLeod, Doolin & MacDonell, 2012). Liu and Walker (1998) assert that project performance success is a subject that has continuously been discussed but without significant agreement having been reached; thus the definition of project performance success remains vague because various stakeholders have different perceptions on its meaning, which may lead to disagreement when assessing whether a particular project is successful (De Wit, 1988). For instance, a project may be considered successful by a client, whereas an end user or contractor may perceive it as unsuccessful (Toor & Ogunlana, 2010). However, there is general agreement that project success involves both efficiency and effectiveness (Belout & Gauvreau, 2004).

The level of performance success in carrying out construction project development activities will depend heavily on the quality of the managerial, financial, technical and organizational performance of the contractor, while taking into consideration the associated risk management, the business environment, and economic and political stability. According to (Wang & Chou, 2013), as construction is becoming more complex, a more sophisticated approach is necessary to deal with initiating, planning, financing, designing, approving, implementing and completing a project. Balogun (2015) emphasized that the ultimate goal of any construction is to be delivered in the shortest possible time, at the lowest possible cost, with the highest quality while for many projects, this goal seems unachievable. In addition to ensure the success of projects, project management

techniques and tools should be effectively utilized. Project management is about managing the resources, workers, money, equipment and machines, materials and methods to ensure projects success.

Ashley, Laurie and Jaselskis (2014) defined project performance success as “results much better than expected or normally observed in terms of costs, schedule, quality, safety and participants satisfaction”. De Wit (2011) posits that overall project performance success is achieved if all of the technical performance specifications of the project have been met, and if all project team members, end users and key people in the parent organization are highly satisfied with the outcome of the project. Earlier Pinto and Slevin (2012) argued that a project is said to be successful if it is completed on time, within budget, achieves all project goals and end users are satisfied with the project. De Wit (2011) explained that a project might be successful even though the performance of project management is poor. However, good project management can contribute to the achievement of a successful project outcome, but it cannot prevent failure. Thus, from all of these definitions, there is agreement among researchers that project performance success involves participants’ satisfaction and meeting the project goals.

The Kenyan government has invested heavily in the construction sector in order to improve the infrastructure. According to the Central Bureau of Statistics (2015), the real estate and construction sectors continues to be some of the key drivers of economic growth in Kenya for the last five years .The Kenyan construction industry contributes 7 percent of the gross domestic product (GDP), which makes it clear that Kenya has a well-developed construction industry.

Small and medium roads contractors are facing increased competition due to the long-term real

decline in demand, and many contractors have responded by shedding labor Storey, (2014). The larger contractors have also responded by moving into the international market. Small local roads contractors, in particular, are furthermore subject to volatilities due to the geographic distribution of construction and the peak workloads that characterize construction projects, which has further reduced their ability to build capacity (Ngala et al., 2005). Small and Medium Roads Construction firms consists of either family owned business employing a few people or self-employed people. The small and medium size roads contractor is a typical sole proprietorship firm or in many cases a family owned business with a few foremen and mostly casual labor as needed. According to Njuguna (2008) small scale roads contractors handle small projects up to US1 million. Medium scale roads contractors handle medium contracts from US1-10 million. The types of contractors are contrasted from large contractors handling large unlimited contracts.

The emerging of the Chinese contractors in Kenya is making the bad situation worse for the local roads contractors. This has led to small and medium contractors losing out contracts to the Chinese in numbers. The Chinese contractors are clearly visible all over Kenya doing all sorts of construction works while the local contractors are diminishing day by day. In 2012 alone the top 10 global contractors by revenue were Chinese, according to Brautigam (2009). Some people feel this picture is distorted because Chinese contractors win so much overseas work in developing countries, especially in Africa and in Kenya in particular, on the back of generous, bilateral state loans. But while this has been the case in the past, some experts believe Chinese firms are evolving quickly and will soon be competing in the global marketplace like everybody else.

Governments in the developed world may need to come to terms with the fact that Chinese companies do come with their own workers. Lahiri (2014) states that developing nations in Africa and Southeast Asia have been good testing grounds for Chinese companies, giving them a technical, commercial and organizational basis for a launch onto the wider world. That stage of development has taken them to the next strata now. Several Chinese contractors are now bidding for work in the developed world. It's a pattern that has been quite significant particularly as contractors go up the chain and become investors in projects. That is quite common now, quite widespread.

Chinese contractors have been actively skilling up for this new phase of expansion (Saxer & Zhang, 2016). They attract some of the brightest graduates from Chinese universities. These people are not just bright; they're bilingual, even trilingual. Companies are starting very early in capturing people who will, in five or six or seven years, go overseas and run projects for them. Chinese firms are also now engaging quality international advisors in finance, accounting, and law to help them navigate international waters better. Big Chinese state-owned-enterprises operate as a number of subsidiary companies, departments and bureaus. The profitability of each individual department or bureau is taken very seriously. They do not enter into projects with an uncaring attitude as to profit just because the parent company has said they should go into it. Chinese companies are in Africa to stay or at least until they accomplish their mission here. Through Chinese foreign direct investment (FDI) and aid, they have invested in sectors such as transport, telecommunications, construction, energy, waste disposal and port refurbishment. Their timely completion of projects like modern highways has earned them admiration from Kenyans (Saxer & Zhang, 2016).

Up to last year, Chinese direct investment in Kenya was \$537 million (Sh48 billion), which compares favorably with China's direct investment in Africa which stood at \$3.5 billion (Sh318 billion) in 2013. Today, an estimated 50 Chinese companies are working on about 80 projects in Kenya with a value of \$2 billion (Sh182 billion). There is no doubt that their presence in Kenya has had a positive impact especially the improved infrastructure. This is working well with Kenya's vision 2030 which identifies infrastructure as one of the sectors that will drive economic growth. However the critical question remains: "who has really profited from China's intervention?" it is obvious China is driven by its own need for economic prosperity and not the solidarity with any government. The local Kenyan construction companies are not able to compete with the Chinese companies NCA (2016).

Most of the Chinese corporations operating in Kenya are either fully or partially owned by the Chinese government, therefore have access to very low cost capital and can operate with a longer repayment period. Through their government's "going global strategy", Chinese companies enjoy four types of incentives: a) Special and general tax incentives, b) credits and loans, c) foreign exchange allowance, d) favorable import and export regime. Compare this with locally owned firms which have to work with commercial loans which attract a high interest rates and a shorter repayment periods and it is clear the Chinese have an upper hand. Chinese firms are funded by the Export-Import Bank (Exim) of China which is a state bank solely owned by the Chinese government. In cases where the Chinese government is the lenders, Kenya government has to demonstrate that it is a Chinese contractor who will handle a project. In this case, local contractors are disadvantaged but this can be turned around to become a win-win situation for all parties involved. There must be a way in which Chinese interests can be met and local firms protected as well. Though

local contractors had a reputation of being corrupt, incompetent and delivering substandard work, blanket condemnation should not be used to deny them contracts (Czinkota & Ronkainen, 2013).

Governments in Africa, Kenya included, are desperate to attract and retain foreign investors and at the same time diversify their sources of funding from the traditional IMF, World Bank and western governments. This desire should not be met by encouraging or overlooking practices that may spell doom to local firms and deny Kenyans lucrative job opportunities. Local contractors have continually decried the rate at which the Kenyan government is awarding tenders and consenting to Chinese investments. Local firms need to be empowered such that they will be in a position to undertake mega infrastructure projects in the future on their own. This can be done if the really issues that make the local contractors perform poorly are determined and intentional actions and implementation takes place to enable the local contractors compete favorably with international contractors and in particular the Chinese contractors (Sandbrook & Barker, 1985).

The definition of a small-scale contractor varies from country to country. A small-scale contractor is defined broadly as one with limited capital investment, who may need financial and managerial support to effectively run his or her business. This description of small scale contractors suits characteristics of firms classified by the National Construction Authority (NCA, 2016) of Kenya as those in the categories of from NCA4 to NCA7.

Contractors operating or willing to undertake construction operations in Kenya are required by law to register through the National Construction Authority (NCA), which is constituted under Act No. 41 of 2011 Laws of Kenya. NCA regulations allow a contractor to register in one or more categories



according to class of construction works to be undertaken. The National Construction Authority (NCA) has registered 18,000 contractors to operate in Kenya, in a move aimed at enforcing order in the local construction industry. The authority has registered 111 contractors in the NCA I category; those allowed to undertake works of unlimited value; more than half whom are Kenyans. There are 52 foreign contractors in the NCA I category, including several Chinese roads construction firm NCA (2017).

The Kenya National Highway Authority (KeNHA) which is an autonomous agency is responsible for the management, development, rehabilitation and maintenance of trunk roads linking centers of international importance and crossing international boundaries or terminating at international ports (Class A), national trunk roads linking internationally important centers (Class B) and primary roads linking regional centers or two higher class roads (Class C).

Kenya National Highway Authority core functions are to construct, upgrade, rehabilitate and maintain Class A, B, C roads, implement road policies on national roads and ensure adherence to guidelines on axle load control in the Traffic Act. Its other roles are to ensure that the quality of roads is in accordance with defined standards and to collect data on use of national roads (Matindi & Ngugi, 2013).

### **Statement of the Problem**

Small and medium sizes Roads Contractors (SMRCs) who take contracts under Kenya National Highway Authority face a host of constraints and challenges. Their role in the roads construction industry has just been limited to just maintenance. They do not get involved in design and construction of roads. Many Kenyan citizens have condemned some of the work

carried-out by the Contractors and this is largely blamed on the many limitations SMRCs are facing. The Kenya government policy advocates the formation of Small and Medium Enterprises (SME) with an aim of reducing unemployment and to accelerate infrastructure development to boost the performance of the SMRCs (Kimani, 2010). In addition, the Kenyan government has made a deliberate attempt to allocate all the roads maintenance works to SMRCs and reserved 40% of the road design and construction works to local contractors with the hope of promoting the local contractors and accelerating the economic growth, Kenya National Highways Authority, (2017). But the performance of these small and medium contractors is unsatisfactory in terms of quality of completed projects; the time overruns to complete projects; abandoning ongoing projects, over quoting of project costs and projects cost overruns. The Chinese contractors are outdoing the local contractors and taking up many roads projects which were previously done by the local contractors. This is a threat to the growth and existence of the small and medium size roads contractors in Kenya (Zou, et al., 2007).

While (Day, 2015; Winter & Preece, 2016) state that the ability of a contractor to maintain good relationship with clients, suppliers, and other role players is a critical success factor in the performance of Small Medium contractors. Upson (2017) insists on the ability for financial gathering and management as critical success factor in the performance for small, medium and large contractors. SMRCs lack management skills. Management expertise is claimed to be one of the scarcest resource in the road construction industry (Myers, 2014 citing Hillebrandt, 2000, & Ramokolo & Smallwood, 2008). The lack of managerial know-how places significant constraints on SMRC's development and growth (Kayanula & Quartey, 2000; Ramokolo & Smallwood, 2008).

Inadequacy in technical skills required in project implementation; insufficient knowledge, time and experience required for the whole process of finding work, once found, insufficient understanding of the contract documentation and the preparation and submission of tenders pose a challenge to SMRCs (Kimani, 2007). Some contractors are challenged by tendering requirements in the standard contract documents that call for high levels of bid bonds and performance bonds which leave the contractors gasping for financial breathe, especially when they have to bid for several projects in a row, each of them with the same independent requirements (Kimani, 2010). SMRCs may need assistance with training in tendering procedures and relaxation of sureties and performance bonds, in view of the relatively small value of their work (Wanjala, 2013).

There are various issues and critical determinants affecting the performance of the SMRCs which need to be appreciated and addressed by the stakeholders. There is abundant literature (Winter & Preece, 2000), to show concern for the Challenges Facing Small and Medium Roads Construction firms internationally. However, with the emerging of resilient competition of Chinese Roads Contractors (CRC) against Kenyan SMRCs in Kenya, there seems to be little study on the determinants of project Performance of Small and Medium Sized Roads Construction Contractors in Kenya and no specific study has tried to address Kenyan situation as it was in particular as this study intended to do.

### **Objectives of the Study**

The general objective of the study was to identify determinants of project performance of small and medium size roads contractors in Kenya. The specific objectives were:-

- To determine the influence of financial capacity on the performance of small and medium size roads contractors.
- To examine the influence of leadership factors on the performance of the small and medium size roads contractors.
- To establish the influence of organizational culture on the performance of the small and medium size roads contractors.
- To investigate the influence of political economy on the performance of small and medium size roads contractors.

## **LITERATURE REVIEW**

### **Theoretical Framework**

#### **Finance Theory**

Studies on financing have sought to provide explanations of the manner in which firms build their debt-equity mix in order to finance investments. Acknowledging the fact that, at present, there is no single, universally valid theory of finance, nevertheless certain influential theories can be highlighted in this field. The first challenge in the field dates back to the end of the 1950s with the launching of the idea of the irrelevance of the firms' capital structure (Tudose, 2012). In the 1960s-1970s, research was oriented towards the analysis of benefits and costs deriving from leverage; the objective was to study the way in which firms manage to balance the bankruptcy costs with the benefits of tax shields, derived from taking on debt (Oliveira, 2009). These works were grouped under the generic headline of static trade-off theory, whose underlying notion is that firms set a target debt ratio which they aim to achieve.

The debates on the structure of corporate finance were pioneered by Modigliani and Miller (1958). They formulated two statements with major echoes

in subsequent research: the market value of a firm is independent of its capital structure and of its leverage, respectively (in other words, the debt/equity ratio does not have any impact on the global value of the firm) and a firm's leverage has no effect on its weighted average cost of capital Sanchez Bajo, (2011). The validity of the two statements has been verified only under conditions of predefined assumptions specific to an ideal situation (absence of bankruptcy costs, no corporate income tax, no market imperfections, etc.). Beyond any issues that may raise criticism, the two proposed (and subsequently validated) statements marked the starting point in founding modern finance. Consequently, financial theory saw new and extensive developments; recognizing the existence of shared dimensions, research in the field has been classified as follows: trade-off theory; pecking order theory agency theory; theories linking capital structure and factor-product markets; market timing theory.

Trade-off theory also known as the theory of the balance between the dead-weight costs of bankruptcy and the tax shield benefits derived from debt emerged following criticism levelled at Modigliani and Miller's theorem. The theory emphasized the role of tax shield benefits arising from debt financing. The classical version of trade-off theory was formulated by (Kraus & Litzenberger, 2013); it states that the optimal leverage level reflects a trade-off between the tax shield benefits of debt and the bankruptcy costs. The two proponents of the theory showed that, for a specific period (one year, for instance), the market value of a levered firm is equal to the market value of an unlevered firm, to which is added the present value of the tax shield of debt less the present value of bankruptcy costs. Subsequently, Myers (1984) pointed out that a firm operating under the assumptions of trade-off theory sets a target leverage ratio that it aims to achieve (hence also

aiming for a target/optimal financial structure); the target leverage ratio can be determined by balancing the dead-weight costs of bankruptcy with the tax deductions on interest earnings. Further contributions to the development of the theory were made by Scott (2007), who recognizes that higher leverage increases the risk of bankruptcy and financial distress and argues that the theory is applicable to large firms that are able to generate higher earnings. On the other hand, (Pettit & Singer, 2005) stated that trade-off theory applies to a lesser extent to small firms, which are rather unlikely to have considerable earnings.

Continued research on the maximization of the firm's value by means of gradual debt financing, two surrogate theories emerged, i.e. static trade off theory and dynamic trade off theory. The first theory postulates that firms increase their leverage up to the point where the utility of an additional unit of debt is equal to the cost of debt, including the costs incurred due to a greater probability of financial distress (linked to rising debt levels). As a result, firms strive to reach the optimal static point, known as the target capital structure (Paseda, 2016). The second surrogate theory admits that the financial structure is adjusted over time, depending on changes in exogenous and endogenous factors. Of key importance are the research works which have focused on: a) dynamic capital structure choice in the presence of transaction costs (Fischer et. al., 2009), b) developing a dynamic model based on the contingent claims method (Ju et. al., 2005), c) factoring in the sudden fluctuations of the market value of equity yields (Leary & Roberts, 2005), d) adjusting the size of investment projects according to the funding source internal or external financing (Bris & Welch, 2007). Aggregating the outcomes of research in the field, (Frank & Goyal, 2005) indicate that the target leverage ratio can be reached in two phases: a) the static trade-off phase during which the firm operates under the assumptions of the trade-off theory for a definite period of time, e.g.



one year; b) dynamic trade-off phase which allows successive adjustment steps in order for the firm to gradually move towards the target debt ratio. As a final development, trade-off theory postulates that a firm will raise debt financing up to the point when the marginal value of the tax shield benefit of debt is balanced by the increase in the present value of bankruptcy costs (Brealey et. al., 2016).

Based on these assumptions, the theory posits that the firm will prefer internal financing and that, should external resources be necessary, it will select the appropriate financing methods based on the risk level involved. Assuming that investors do not know the actual value of assets and of the firm's development opportunities, they are unable to accurately evaluate the shares issued by the firm to finance its new investments. More precisely, if firms are obliged to finance new investment projects by issuing equity, the markdowns on share prices may be so high that new investors will gain higher earnings than the net present value of the new project, resulting in net loss for current shareholders; consequently, even though the net present value of the project is positive, the project will be abandoned; underinvestment may be avoided by using other financing resources which are not marked down sharply by the market e. g. internal funds, risk-free loans and even relatively risky loans (Ruf, et al, 2001).

Hence, according to pecking order theory, the firm prefers to fund its investments first by internal resources, then by low-risk borrowed capital, and, only as a last resort, by equity. The careful examination of the models introduced by the pecking order theory (starting from the objectives undertaken by management) has enabled their classification on two levels: a) theories focused either on the maximization of the wealth of certain firm insiders (e.g. current shareholders) (Myers & Majluf, 2004; Narayanan, 2008), or on maximizing

the firm's overall wealth (indirectly favoring certain firm partners) (Myers, 2001); b) theories aimed at reducing contract costs in order to maximize the firm's value (Cornell & Shapiro, 1987; Fama, 1990; Williamson, 1988). Subsequent research (Halov & Heider, 2006) showed that larger firms face smaller costs of adverse selection than smaller firms do (in the context of risky debt). Arguing that smaller firms are less "transparent", Psillaki (2005) showed that they tend to bear higher costs due to information asymmetry. Moreover, starting from the assumption that the size of a firm is determined based on the financial statements it files regularly, Pettit and Singer (2005) argued that smaller businesses face greater information asymmetries.

Brander and Lewis (2006) show that in a competitive economy, oligopolies are tempted to take on more debt than monopolies. Glazer (2009) confirms this finding and highlights that debt tends to be long term. Furthermore, it has been shown that tacit collusion facilitates the reduction of debt and debt capacity increases with the elasticity of demand. From a theoretical standpoint, the models based on organizational and industrial considerations provide highly interesting findings to inform the choice of capital structure. The models describe the links between capital structure and characteristics of the offer, demand and influence of competition in a sector or industry. The main outcomes of the debates on these issues have revealed that leverage increases: when the product produced by the firm is not unique and does not require special knowledge (Titman, 2004; Titman & Wessels, 2008); with the elasticity of demand for the product (Maksimovic, 2008); when workers have easily transferrable skills (Sarig, 1998); when the firms are not focused on the reputation for producing high quality products. The theories linking the firm's capital structure and factor-product markets (products and commodities) have incorporated new dimensions in the research: the

role of non-financial stakeholders in designing the corporate finance structure ("the stakeholder theory"), industrial organization and the firms' strategic management. Istitieh and Rodriguez-Fernandez (2006) have highlighted the existence of mutual influences between production factors and corporate financial decisions; the two authors also emphasized linkages between financial structure and the degree of industrial concentration (i.e. horizontal/vertical integration) and between the financial structure and competition policy. The foregoing theories are reflecting how financial capacity and choices can affect the SMCs in the Kenyan situation. The extent to which they affect the individual SMCs varies depending how they make their choices. This study seeks to find out the extent which this applies.

### **The leadership Theories**

The Great Man theory evolved around the mid-19th century. Even though no one was able to identify with any scientific certainty, which human characteristic or combination of, were responsible for identifying great leaders. Everyone recognized that just as the name suggests; only a man could have the characteristic (s) of a great leader. The Great Man theory assumes that the traits of leadership are intrinsic. That simply means that great leaders are born. They are not made. This theory sees great leaders as those who are destined by birth to become a leader. Furthermore, the belief was that great leaders will rise when confronted with the appropriate situation. The theory was popularized by Thomas Carlyle, a writer and teacher. Just like him, the Great Man theory was inspired by the study of influential heroes. In his book "On Heroes, Hero-Worship, and the Heroic in History", he compared a wide array of heroes Wren (2013). In 1860, Herbert Spencer, an English philosopher disputed the great man theory by affirming that these heroes are simply the product

of their times and their actions the results of social conditions. According to Northouse (2017) trait theories argue that effective leaders share a number of common personality characteristics, or "traits." Early trait theories said that leadership is an innate, instinctive quality that one do or don't have. The trait leadership theory believes that people are either born or are made with certain qualities that will make them excel in leadership roles. That is, certain qualities such as intelligence, sense of responsibility, creativity and other values puts anyone in the shoes of a good leader. In fact, Gordon Allport, an American psychologist, "...identified almost 18,000 English personality-relevant terms" (Matthews, Deary, & Whiteman, 2003). The trait theory of leadership focused on analyzing mental, physical and social characteristic in order to gain more understanding of what is the characteristic or the combination of characteristics that are common among leaders. There were many shortfalls with the trait leadership theory. However, from a psychology of personalities approach, Gordon Allport's studies are among the first ones and have brought, for the study of leadership, the behavioral approach. Traits theories help identify traits and qualities (for example, integrity, empathy, assertiveness, good decision-making skills, and likability) that are helpful when leading others. However, none of these traits, or any specific combination of them, will guarantee success as a leader. Traits are external behaviors that emerge from the things going on within the minds – and it's these internal beliefs and processes that are important for effective leadership. Many studies have analyzed the traits among existing leaders in the hope of uncovering those responsible for one's leadership abilities! In vain, the only characteristics that were identified among these individuals were those that were slightly taller and slightly more intelligent Buckingham, (2005). In reaction to the trait leadership theory, the behavioral theories are offering a new perspective,

one that focuses on the behaviors of the leaders as opposed to their mental, physical or social characteristics. Thus, with the evolutions in psychometrics, notably the factor analysis, researchers were able to measure the cause and effects relationship of specific human behaviors from leaders. From this point forward anyone with the right conditioning could have access to the once before elite club of naturally gifted leaders. In other words, leaders are made not born. The behavioral theories first divided leaders in two categories. Those that were concerned with the tasks and those concerned with the people. Throughout the literature these are referred to as different names, but the essence are identical (Dinh et al., 2014)

Behavioral theories focus on how leaders behave. For instance, do leaders dictate what needs to be done and expect cooperation? Or do they involve their teams in decision-making to encourage acceptance and support? In the 1930s, Kurt Lewin developed a framework based on a leader's behavior. He argued that there are three types of leaders: Autocratic leaders make decisions without consulting their teams. This style of leadership is considered appropriate when decisions need to be made quickly, when there's no need for input, and when team agreement isn't necessary for a successful outcome (Ndunge, 2014). Democratic leaders allow the team to provide input before making a decision, although the degree of input can vary from leader to leader. This style is important when team agreement matters, but it can be difficult to manage when there are lots of different perspectives and ideas. Laissez-faire leaders don't interfere; they allow people within the team to make many of the decisions. This works well when the team is highly capable, is motivated, and doesn't need close supervision. However, this behavior can arise because the leader is lazy or distracted; and this is where this style of leadership can fail (Katzenbach, & Smith, 2015). Clearly, how

leaders behave affects their performance. Researchers have realized, though, that many of these leadership behaviors are appropriate at different times. The best leaders are those who can use many different behavioral styles, and choose the right style for each situation (Boal & Hooijberg, 2001). The SMCs leadership styles may be leading to poor performance in roads construction works.

### **Hofstede's Cultural Dimensions Theory**

Hofstede's cultural dimensions theory is a framework for cross-cultural communication, developed by Geert Hofstede. It describes the effects of a society's culture on the values of its members, and how these values relate to behavior, using a structure derived from factor analysis. Hofstede developed his original model as a result of using factor analysis to examine the results of a world-wide survey of employee values by IBM between 1967 and 1973. It has been refined since. The original theory proposed four dimensions along which cultural values could be analyzed: individualism-collectivism; uncertainty avoidance; power distance (strength of social hierarchy) and masculinity-femininity (task orientation versus person-orientation). Independent research in Hong Kong led Hofstede to add a fifth dimension, long-term orientation, to cover aspects of values not discussed in the original paradigm. In 2010, Hofstede added a sixth dimension, indulgence versus self-restraint.

Hofstede's work established a major research tradition in cross-cultural psychology and has also been drawn upon by researchers and consultants in many fields relating to international business and communication. The theory has been widely used in several fields as a paradigm for research, particularly in cross-cultural psychology, international management, and cross-cultural communication. It continues to be a major resource in cross-cultural fields. It has inspired a number of

other major cross-cultural studies of values, as well as research on other aspects of culture, such as social beliefs. In 1965 Hofstede founded the personnel research department of IBM Europe (which he managed until 1971). Between 1967 and 1973, he executed a large survey study regarding national values differences across the worldwide subsidiaries of this multinational corporation: he compared the answers of 117,000 IBM matched employees samples on the same attitude survey in different countries. He first focused his research on the 40 largest countries, and then extended it to 50 countries and 3 regions, at that time probably the largest matched-sample cross-national database available anywhere. The theory was one of the first quantifiable theories that could be used to explain observed differences between cultures.

This initial analysis identified systematic differences in national cultures on four primary dimensions: power distance (PDI), individualism (IDV), uncertainty avoidance (UAI) and masculinity (MAS), which are described below. As Hofstede explains on his academic website, these dimensions regard "four anthropological problem areas that different national societies handle differently: ways of coping with inequality, ways of coping with uncertainty, the relationship of the individual with her or his primary group, and the emotional implications of having been born as a girl or as a boy (Hofstede et al., 2010). In order to confirm the early results from the IBM study and to extend them to a variety of populations, six subsequent cross-national studies have successfully been conducted between 1990 and 2002. Covering between 14 and 28 countries, the samples included commercial airline pilots, students, civil service managers, 'up-market' consumers and 'elites'. The combined research established value scores on the four dimensions for a total of 76 countries and regions. In 1991 Michael Harris Bond and colleagues conducted a study among students in 23 countries, using a survey

instrument developed with Chinese employees and managers. The results from this study led Hofstede to add a new fifth dimension to his model: long term orientation (LTO) initially called Confucian dynamism. In 2010 the scores for this dimension have been extended to 93 countries thanks to the research of Michael Minkov who used the recent World Values Survey. Further research has refined some of the original dimensions, and introduced the difference between country-level and individual-level data in analysis. Finally, Minkov's World Values Survey data analysis of 93 representative samples of national populations also led Geert Hofstede to identify a sixth last dimension: indulgence versus restraint.

Culture is more often a source of conflict than of synergy. Cultural differences are a nuisance at best and often a disaster. Despite the evidence that groups are different from each other, people tend to believe that deep inside all persons are the same. In fact, as people are generally not aware of other countries' cultures, there is a tendency to minimize cultural differences. This leads to misunderstandings and misinterpretations between people from different countries. Instead of the convergence phenomena we expected with information technologies availability (the "global village culture"), cultural differences are still significant today and diversity tends to increase. So, in order to be able to have respectful cross-cultural relations, we have to be aware of these cultural differences. With this model, Geert Hofstede shed light on these differences. The tool can be used to give a general overview and an approximate understanding of other cultures, what to expect from them and how to behave towards groups from other countries (Matondo, 2012). Even though Hofstede's model is generally accepted as the most comprehensive framework of national cultures values by those studying business culture, its validity and its limitations have been extensively

criticized. According to Rees-Caldwell and Pinnington (2013) Cultural influence has recently received significant attention from academics due to its vital role in the success or failure of a project. In the construction industry, several empirical investigations have examined the influence of culture on project management. The aim of this study is to determine the impact of project organizational culture on the performance of construction projects. The findings of this study may assist SMCs in implementing practices that can contribute to the improve performance roads construction projects.

### **The Theory of Political Economy**

Political theory is the study of the concepts and principles that people use to describe, explain, and evaluate political events and institutions. Traditionally, the discipline of political theory has approached this study from two different perspectives: the history of political thought, and contemporary political philosophy (Cohen, Manion, & Morrison, 2013). The science of Political Economy rests upon a few notions of an apparently simple character. Utility, wealth, value, commodity, labor, land, capital, are the elements of the subject; and whoever has a thorough comprehension of their nature must possess or be soon able to acquire a knowledge of the whole science, Jevons (1835-1882) As almost every economic writer has remarked, it is in treating the simple elements that requires the most care and precision, since the least error of conception must vitiate all our deductions. Prevailing opinions make labor rather than utility the origin of value; and there are even those who distinctly assert that labor is the cause of value, Jstor (2013).

The theory of political economy now draws heavily on the subject of economics, political science, law, history and sociology or different closely related branches of economics to explain the politico-

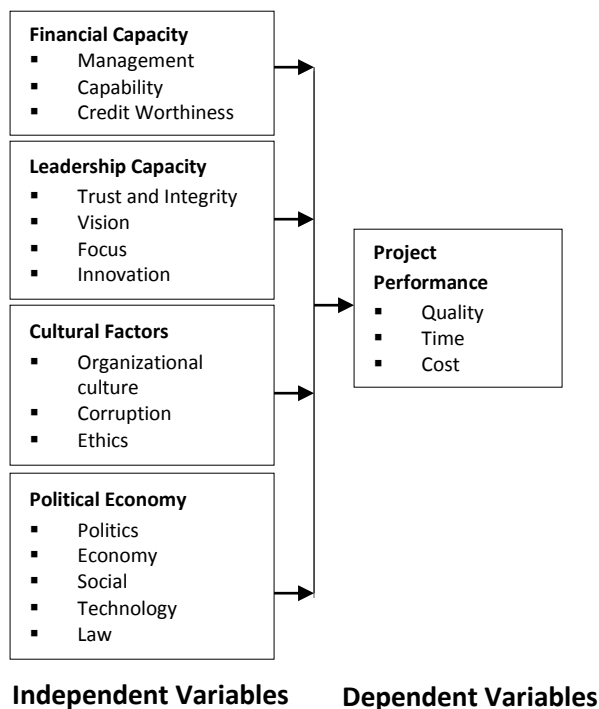
economic behavior of a country. By the 19th century, economics took over the field of political economy in which axiomatic methods and fundamental techniques of mathematics were used to understand the functioning of the economy. The social science of political economy has not lost its weight in today's world where international trade and finance, and bilateral trade agreements can be analyzed using the logic of International Political Economy. This branch mainly draws on Marxian liberalism and realism from the theory of Political Science and Rational Choice assumption and also Game Theory from the field of advanced economics (Ekelund & Hébert, 2013). For example, free trade between countries or among many countries in a particular region is the result of economic and political considerations. Countries may undertake free trade agreements to promote sale of goods between them which will result in increased export earnings. It may also lead to specialization on the lines of "comparative advantage" and large scale production with falling costs. The benefits of the economies of scale can also be reaped through this process (Hoekman, & Kostecki, 2009).

In this situation, the theory of "Positive Political Economy" investigates how observed differences in institutions affect economic and political outcomes in various economic, social and political systems. These institutional differences might arise in the polity of a respective economy or any other structural differences in the system. The theory of political economy now encompasses a wide range of subjects from anthropology to history from psychology to human geography and from law to ecology. The theories of International Political Economy, if applied properly, can lead to the solution of issues such as immigration, environmental degradation, AIDS control and other developmental issues pushing Third World Countries into the low level equilibrium trap. The theory can also effectively and efficiently handle the



issues of Intellectual Property Rights and trade liberalization in this globalized world (Neumann, 2014). The political economy theory is one of the most comprehensive theories in the world which can become a successful tool in combating the complex and serious issues threatening to nullify the bounties of liberalization and globalization. It's in this sense that the SMCs find themselves in new challenges that are associated with liberation and globalized economy and politics Oyadiran (2015). Political treaties, dealings, rules and pronouncements have a direct effect on the performance of SMCs.

### Conceptual Framework



**Figure 1: Conceptual framework**

### Financial Capacity and Performance

Over the years, project managers have increasingly utilized various measures to determine the success of their projects. Several studies have been carried out on determinants affecting quality of projects in African countries and around the world. Recently

the Controller and Auditor General (CAG) of Tanzania released the first value for money (performance) audit of road works in Tanzania, in which 10 major road projects under TANROADS' management were audited. The audit concludes that the management system for road works of the Ministry of Infrastructure Development/Tanzania Roads Agency (MOID/TANROADS) does not do well in ensuring the economy, efficiency and effectiveness of road works. This lead to poor quality, delays, cost overruns and above all reduced value for money from the resources provided by tax payers. The Auditor General's report suggested ways to better ensure that the large budgets allocated to roads will be well spent. The audit however concluded that the quality control system was not effective. It uncovered problems linked to poor design and planning in all the projects examined (Salafsky & Margoluis, 2008).

Quality control was not effective at the construction stage either. The audit found that inspections and monitoring were not conducted as planned and that documentation was inadequate. The audit for example could not establish the presence of any records in the 10 investigated projects demonstrating how TANROADS assessed the work of consultants hired to assess the quality of the conducted road works except for progress reports received from the consultants themselves. Site supervision meetings were said to occur but no documentation existed to show what they actually did or what issues were addressed through them. In all the 10 road works audited, not one was completed without extension of time. In most cases the extensions were for more than six months. Only three of the 10 roads audited were finished between one to five months after the initially-agreed completion time. The other seven took between 8 months and two and a half years beyond the initial planned completion date. Such delays mean that the economic and social benefits from

roads are also delayed. The design of any construction work includes quantities required and the permissible costs. These designs were mutually agreed between MOID/TANROADS and the contractors before the works started. The audit noted, however, that cost overruns (increased in the original budget that could have been avoided), are so commonplace that TANROADS considers them to be normal. Eight of the 10 audited projects had cost overruns for one reason or another. For the ten projects combined, the final cost was 57% higher than the original budget (Salafsky & Margoluis, 2008). According to Salafsky and Margoluis (2008) cost overruns could be caused by delays in implementation, but also arise from miscalculations at the planning and design stage. The audit estimated that cost overruns due to delays alone imposed an additional cost on tax payers of 36 billion shillings over and above the cost estimate in the original plan. This money could be saved if road works were managed more efficiently and could be used to further invest in the road network. The audit noted that most delays in completing road works could be avoided, as they are within the control of MOID/TANROADS and do not arise from force majeure (uncontrollable circumstances such as earthquakes, wars, rains, etc.). The audit revealed that in some instances, funding constraints occurred because MOID/TANROADS had failed to secure financing before projects started. Most of the road works are financed by donors and for funding to be released, loan agreements and conditions for disbursement have to be met. When this is not done properly, delays are likely to occur. In other cases funding constraints arose because of the long processing time of tax exemptions. MOID/TANROADS procures contractors to carry out construction works and engages consultants for various other activities. There were good reasons for doing so: MOID/TANROADS itself has a lean staff complement which lacked the ability to do everything in-house.

By working with private contractors, efficiency could be increased, but the audit found that the way MOID/TANROADS went about hiring contractors lead to problems. A feature of road Construction Firms in the developing countries is that, they are often believed to be one-man enterprises, having low financial and capital base and also lacking the requisite managerial skills to adequately face up to the numerous and difficult challenges they constantly have to encounter in a typical developing economy such as Kenya's (Ahadzie, 2007). Notwithstanding the difficulties however, these small firms tend to have a very wide geographical dispersion championing local government development in the many rural and remotest parts of the country. Official statistics indicates that, indeed, these so-called small firms represent over 95% of roads contractors operating in the economy. In this respect, their activities are useful in stimulating growth in many rural and deprived communities where the government is rigorously championing local development. Within the foregoing context, it is also to be noted that, the dominant role of small firms by classification in the Kenyan construction sector is not by accident (Wells, 2007). Typically, construction is essentially a large industry of small firms in all construction economies (Wells, 2007). Among others, this dominance of small-scale contractors is dictated by particular characteristics of the industry, such as the wide dispersion of the demand, flexibility in the scale of production, lack of standardization of materials, the effect of climatic controls on the use of materials, some of which can be very bulky; the low capital requirement for entry, especially for craft-based jobs (Wells, 2007).

### **Human Factors and Performance**

Ideally, projects designed and managed by highly trained construction professionals and executed by qualified contractors selected on the basis of their

capability should meet the project performance goals (Kibuchi, 2012). These goals are in terms of contract period, budget, quality, environmental sustainability and client satisfaction. However, there is evidence that despite the high quality of training of consultants in the building industry in Kenya and regulation of the industry in major urban areas, construction projects do not always meet their goals. This is manifested by myriad projects that have cost overrun, delayed completion period and poor quality resulting to collapsed bridges and roads in various parts of the country, high maintenance costs, dissatisfied road users and even roads getting deliberated within a short period after commissioning.

One of the main causes of project failure is the lack of effective human resource management practices (Berg & Karlsen, 2007; Ellemers, et al., 2004; Schmid & Adams, 2008). The need for effective human resource management (HRM) practices is accepted among academicians and practitioners of project management. Project oriented human resource managers are accustomed to organized, predictable, logical, well structured, detailed, and standardized environment governed by objective rules and controllable variables (Srica, 2008). In contrast, projects tend to be characterized by crisis, uncertainty, and suspense, which combine to test the ability and performance of the project managers in coordinating and controlling a diverse selection of functional specialists, over which they may have little direct authority (El-Sabaa, 2011). These contrasting positions could make effective leadership one of the most challenging areas to apply in project management (Irani, Sharif, & Love, 20015). Project performance is often less a matter of understanding the constraints of the project and more a function of the personal skills and capabilities of the potential leaders“ available (Jiang, et al., 2011).

This research undertakes to investigate determinants to success of small and medium contractors in roads construction project goals of cost, time, and quality and client satisfaction. The study will focus on the mental side of contractors' management of the firm

### **Cultural Factors and Performance**

Construction project performance has been reported by literature with the following critical problems being found: poor quality, over budget, missing timeliness, unsafe construction and client dissatisfaction (Wing, 2012). The factors that potentially influence the success or failure of construction projects must be identified to improve project performance.

Cultural influence has recently received significant attention from academics due to its vital role in the success or failure of a project. In the construction industry, several empirical investigations have examined the influence of culture on project management. The aim of this study is to determine the impact of project organizational culture on the performance of roads construction projects. A total of 199 completed construction projects in Vietnam with specific data gathering through questionnaires were analyzed. The findings reveal that contractor commitment to contract agreements is the most significant cultural factor affecting project performance. Goal alignment and reliance, contractor commitment, and worker orientation (i.e., commitment to workers) contribute to improved overall performance and participant satisfaction. Contractor commitment and cooperative orientation enhance labor productivity, whereas goal alignment and trust and contractor commitment ensure learning performance (i.e., learning from experience). The findings of this study may assist construction professionals in implementing practices that can contribute to the

sustainability and success of construction projects (Ofori, 2008).

A number of studies conducted to identify Critical Success Factors (CSFs) of construction projects have been conducted over the years. (Sanvido et al. 2011), define the variables that determine project success. These factors are described in the literature as critical success or failure factors. In the above-referenced literature, CSFs relevant to construction project management can be classified into five core clusters: First, project management mechanisms ; secondly, project-related factors , which focus on the project type, the nature and complexity of the project and the size of the project; thirdly, the external environment , which includes factors such as economic, social, and political issues and advances in physical tools and technology; fourthly, procurement approaches and fifthly, project culture . To ensure that organizational goals are reached, management should pay constant and careful attention to CSF areas, which implies that, to improve construction project performance, it is essential to understand each of these factors and to investigate how they mutually interact and influence performance outcomes. Many studies related to each of these factors have been conducted in this field, and they have yielded valuable insights. Among these studies, notable examples include (Proverbs et al., 2009); (Moselhi et al. 2011); (Cserháti & Szabó, 2007) and (Mir & Pinnington 2010).

Culture is viewed as an essential determinant of management practice; thus, culture has recently been examined in the literature as a CSF of construction project. In addition, construction project organization is operated by multiple individuals with diversity of backgrounds, causing different human behavior and different expectations for a project. Hence, those involved individuals who come with complicated behaviors

and/or attitudes significantly influence the success of project. It is also believed that cultural differences can generate conflicts relating to individual communication, which decline capacity of construction organizations to achieve project objectives. It could therefore be argued that culture plays a vital role in the success or failure of project management. Thus, in practice of project management, culture should be treated as a significant aspect in controlling conflicts, improving quality outcomes, and encouraging innovation (Ochieng, Price, & Moore, 2013).

Although organizational culture is recognized as influencing performance, it is the least-studied area in the construction management literature. Thus, studies that have been expected to enhance project performance have focused less on project organizational culture than on procurement approaches or project characteristics. According to (Kumaraswamy et al. 20014) a framework to explain and analyze the cultural foundations of construction projects. In this framework, a typical project culture is derived from four overlapping groups of sub-cultures: organizational sub-cultures, operational sub-cultures, professional sub-cultures, and individualistic sub-cultures. The results indicate that clan-type cultures (i.e. family-like cultures with a focus on mentoring, nurturing, and “doing things together”) are positively correlated with quality outcomes, whereas market cultures (i.e. results-oriented cultures with a focus on competition, achievement, and “getting the job done”), which are more common in construction projects, are found to be negatively correlated with quality outcomes. The authors thus suggest that construction project culture be shifted from the currently prevalent market culture to a clan culture. The authors also argue that a project culture should be designed to align the goals and objectives of the organization with those of the individual participants.

This design helps reduce conflicts, enhance communication and coordination, and increase the ease with which project objectives are achieved. (Zuo et al. 2011) adapt existing organizational dimensions to propose five dimensions for a project culture model: integrative, cooperative, goal-oriented, flexible, and people-oriented. Their model focuses on relationships in contract procurement in the Chinese construction industry, and the findings indicate that there are medium-to-large positive correlations between all five dimensions of project culture and all indicators of project performance, namely, satisfaction with project success, commercial success, future business opportunities, and satisfaction with relationships with other parties. The majority of these correlations are positive; the exceptions are goal orientation and flexibility, which exhibit negative correlations with most of the project performance indicators. The results reveal that project culture contributes to improved project performance. More recently, Stare (2016) investigated the influence of project organizational culture on project performance in Slovenian enterprises. His model of project organizational culture focuses more on the attitudes of top and line management in a wide range of business enterprises (i.e., IT, product development, and civil engineering), and despite the high level of project organizational culture observed, this result was relatively surprising given the generally poor project performance (almost 90 percent of the projects exceeded the planned time and costs). The most influential factors for project performance were the attitude of top management and the presence of clear priorities for projects.

The major reason for project failure is that most organizations do not ensure that all projects they implement align with their organization's corporate strategy. Furthermore, findings show that performance management systems do not take into account new reporting structures such as Matrix

Management. The result is that employees identify time spent on projects as an intrusion to their daily job. Moreover, few organizations clearly define and consistently use project success measures from one project to another and usually fail to capture and retain project knowledge. The bottom-line is that most organizations today are operating with a diversity of organizational cultures that change from one project to the next, from one department to the next. The answer is for organizations to embed the best practices that make or break their projects into the very framework and support systems of the organization. This is called Project Culture Initiative (Barczak, Griffin, & Kahn, 2009).

Culture is viewed as an essential determinant of management practice; thus, culture has recently been examined in the literature as a CSF of construction project (Lu, Shen, & Yam, 2008). In addition, construction project organization is operated by multiple individuals with diversity of backgrounds, causing different human behavior and different expectations for a project. Hence, those involved individuals who come with complicated behaviors and/or attitudes significantly influence the success of project. It is also believed that cultural differences can generate conflicts relating to individual communication, which decline capacity of construction organizations to achieve project objectives (Lu, Shen, & Yam, 2008). It could therefore be argued that culture plays a vital role in the success or failure of project management. Thus, in practice of project management, culture should be treated as a significant aspect in controlling conflicts, improving quality outcomes, and encouraging innovation. Although organizational culture is recognized as influencing performance, it is the least-studied area in the construction management literature. Thus, studies that have been expected to enhance project performance have focused less on project organizational culture than on procurement approaches or project



characteristics. Among the few studies that attempt to investigate the impact of project culture, Kumaraswamy et al. (2017) suggest a framework to explain and analyze the cultural foundations of construction projects.

In this framework, a typical project culture is derived from four overlapping groups of sub-cultures: organizational sub-cultures, operational sub-cultures, professional sub-cultures, and individualistic sub-cultures. Thomas et al. (2016) employ the standard competing values framework model and the instrument developed by (Cameron and Quinn, 2015) to assess the project culture of thirteen Australian construction projects. The results indicate that clan-type cultures (i.e., family-like cultures with a focus on mentoring, nurturing, and “doing things together”) are positively correlated with quality outcomes, whereas market cultures (i.e., results-oriented cultures with a focus on competition, achievement, and “getting the job done”), which are more common in construction projects, are found to be negatively correlated with quality outcomes. The authors thus suggest that construction project culture be shifted from the currently prevalent market culture to a clan culture. The authors also argue that a project culture should be designed to align the goals and objectives of the organization with those of the individual participants. This design helps reduce conflicts, enhance communication and coordination, and increase the ease with which project objectives are achieved. (Zuo et al. 2015) adapt existing organizational dimensions to propose five dimensions for a project culture model: integrative, cooperative, goal-oriented, flexible, and people-oriented. Their model focuses on relationships in contract procurement in the Chinese construction industry, and the findings indicate that there are medium-to-large positive correlations between all five dimensions of project culture and all indicators of project performance, namely, satisfaction with

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### **Political Economy and Performance**

Political factor in project performance concerns government support and provision of an enabling environment. However in most developing countries there is fear of uncertainty in the economic and political environment. Therefore governments need to provide guarantees to developers in terms of risk management, where the government is best able to manage them. An example of such risks is fluctuation of exchange rates, which is common in those countries (Batterbury, & Fernando, 2006).

Zhang (2005) identified a stable political system, favorable economic system, adequate financial market, predictable currency exchange risk, low

interest rate, long-term debt financing, a favorable legal framework and government support, as critical to the success of construction projects. According to (Li et al. 2009) identifying good governance, a favorability of legal framework, and government involvement through the provision of guarantees, available financial market, political support, a sound economic policy and a stable macro-economic environment are critical factors to the success of construction projects. Other factors identified as critical success factors for construction projects include adequate funding (Hwang & Lim, 2013; Nguyen, Ogunlana & Lan, 2004), end user involvement (Nguyen, Ogunlana & Lan, 2004; Fortune & White, 2006; Ihuah, Kakulu & Eaton, 2014), good project location (Chen et al., 2012; Chua, Kog & Loh, 2009; Ihuah, Kakulu & Eaton, 2014), appropriate design (Turcotte & Geiser, 2010), accessible credit facility, (Gudiene et al. 2013) and low down payment requirements (UN-Habitat, 2011).

### **Project Performance**

Quality in a broader context has many meanings depending on customers, ranging from luxury and merit to excellence, good value for money or convenience and even practicality. A generic definition of quality is simply 'meeting the customer requirements', but this has been expressed in many ways, e.g.; 'conformance to requirements' Crosby (2002); 'fitness for use' Juran (2009); 'quality should be aimed the needs of the consumer' Deming (2006); 'the total composite product and service characteristics of the organization to meet the expectation by the customer' Feigenbaum (2003); 'the totality of characteristics of an entity that bear on its ability to satisfy stated and implied need' ISO 9000:2000. Collins (2006) describes quality as the world's oldest documented profession. Quality professionals use a number of definitions to define project quality. Quality in its simplest form can be

defined as: 'meeting the customer's expectations,' or 'compliance with customer's specification.' No matter what definition is followed for quality, it becomes very complex when trying to put it into actual practice. For a user, quality is nothing but satisfaction with the appearance, performances, and reliability of the project for a given price range.

In the realm of project management, the schedule, cost and quality achievement is also referred to as the iron triangle. Out of these three aspects, it is the achievement of schedule and cost compliances that the project management is attending to most of the time. This results in a half-hearted attempt to achieve quality at project sites. In order to achieve the schedule and cost objectives, project quality is sometimes also overlooked. Although many studies have recognized the importance of maintaining and doing quality projects these aspects are sacrificed in lieu of achieving short-term objectives, such as handing over of some critical structures, or only part of the structures falling in the critical path etc. Barnes (2007) emphasizes that the control of the performance of the roads construction should be managed in the same way as the management of time and cost. In a recent survey conducted among Indian construction professionals, it has also been found that, out of the five commonly used project performance criteria – compliances to schedule, cost, quality, no-dispute and safety – the quality compliance has come second next to schedule compliance (Jha, 2014). Delivering projects of poor quality can have far reaching consequences. Collins (2006) quotes one that was recorded during the reign of a Babylonian king.

Existing laws might prevent such harsh penalties in the present scenario, but the consequences may rather be in terms of loss in productivity, additional expenditures by way of rework and repair, re-inspection and retest in the short term. In the long term, poor quality can hurt reputation, and if the

contractor continues in the same way it might have to close its shop for want of new projects. If a number of construction companies of a country start neglecting the quality aspects in their projects, this also starts reflecting on the reputation of the country. Helping the construction companies to identify the critical attributes responsible for achieving the desired quality level (success determinants) and also to find the attributes adversely affecting the project quality (failure determinants) has been the motivating factor behind this study. Delays have been frequently reported as the cause of several conflicts that affect the different parties involved in construction projects. Project Time Management (PTM) includes a number of planning and controlling processes that are recommended for complying with requirements related to project time. The study reported in this paper aimed at assessing the use of PTM processes and its relation with project schedule performance i.e., timely completion (Jha, & Iyer, 2006).

The aftermath of delays affects all people and organizations involved in the project. This is especially true for the owner's business since delaying the startup of the project will impede obtaining the expected project revenue and will increase financial costs. In addition, the owner may face several other difficulties resulting from the commitments assumed based on the delivery date established in the contract. On the other hand, prolonging the project execution time usually results in contractors that have to deal with cost overruns due mostly to the following causes: extra expenses on management personnel, cost escalations of materials, increase of financial cost, paying contract penalties, and so forth. Moreover, given the usual competitive environment in the construction industry, contractors that fail to complete projects on time may get their reputation harmed and become impeded to obtain new contract (Turner, 2016).

Project quality can also be affected due to construction delays since the construction team usually dedicates less time to quality control when the main concern is completing the project on time. When this is the case, workers are usually pushed to work overtime and to increase the production rate, which very often entails failures and reworks. In developing countries delays during the construction of public assets, such as roads, could also result in social harm given the fact that this kind of infrastructure is usually urgently needed. Therefore, the sooner those projects are completed, the better for satisfying the social needs in those countries.

Regarding the prevention of project delays, the PMBOK Guide dedicates one of ten Knowledge Areas to Project Time Management, which includes the processes required to accomplish timely completion of the project. This knowledge area includes processes such as Activity Definition, Activity Sequencing, Activity Resource Estimating, Activity Duration Estimating, Schedule Development, and Schedule Control. The appropriateness of Project Time Management can be seen as a relevant indicator that could be used to assess contractors' effectiveness and capability to succeed on the completion of a project and to evaluate contractors' performance. It is a fact that very few of the major projects procured with the support of grants or public, whether under regional policy programmes generally are completed within the project sponsors' originally estimated budget and time frame. Even relatively small cost over-runs can cause disruption when a project is part of a wider programme of expenditure. In extreme cases, where final costs have turned out to be several times higher than originally estimated, the situation is unsustainable. Changes on an engineering and construction project can be expected, but the potential for cost and schedule consequences of those changes must be understood by those directing the change. Those consequences involve not only the work package for which the change is

directed, but other work packages and overhead functions as well (Gatti, 2013).

It is realized that maximization of the success determinants and minimization of failure determinants will ensure the construction industry realizes its quality goals. Realizing these aspects, the present study will undertake to suggest determinants of improving quality as well as to take care of certain critical determinants that may lead to loss of quality (Alghafri, 2009).

### **Empirical Review**

The increase in China's economic and political involvement in Africa is arguably the most momentous development on the continent today. One of the contentious issues surrounding Sino-African relations involves investments. Although Africa and China have been trading with each other for centuries, the level and intensity of their trade relationship have increased dramatically since 2000. The trends and patterns of trade between China and Africa suggest many possible impacts in Africa. China's growing political and economic presence in Africa and its involvement on the continent has alarmed many in Europe and the United States, best characterized by media headlines such as *Why China is trying to Colonize Africa?* (Blair 2007), and think-tank pieces entitled *Beijing's Safari* (Kurlantzick 2006). China's recent activities, such as the November 2009 pledge of US\$ 10 billion in low-cost loans for Africa over the next ten years, and its debt-forgiveness for many of Africa's poorest states, have only added to Western suspicions about China's activities in Africa.

China established diplomatic relations with Kenya in 1963. Since then, a number of Chinese companies have invested in various projects, and by 2010 China had become the leading source of Kenya's foreign direct investment (FDI), investing KES 2.5

billion into the country's economy ( Kenya Investment Authority, Annual reports 2010). Having already benefitted from the development of hydro-power plants and a loan of US\$ 16 million for roads, plus recent news that Chinese firms will construct a multibillion dollar port near Lamu (on the East coast a second port (Lamu Port) and the Southern Sudan–Ethiopia Transport Corridor (LAPSSET) project), the construction of vehicle assembly plants and oil exploration (Njoroge, & Ikiara, 2015). The impact of Chinese contractors is starting to be felt as many local contractors miss out on mega projects. According to the World Bank, about 400 Chinese firms operate in Kenya ranging from manufacturing (automotive), food, building and construction, consumer electronics and communication equipment among other sectors. But it is their entrance into the construction industry that has left Kenyan contractors a worried lot.

According to Mathu (2016), a quantity surveyor and research and business development manager with the National Construction Authority (NCA, 2016), there are conflicting perspectives on the increase of the Chinese construction business in Africa and in particular, Kenya. But why are Chinese winning most of these mega contracts like the ongoing Standard Gauge Railway, the completed Thika Superhighway, University of Nairobi's 22-storey complex valued at Sh2.3 billion and the Sh2.1 billion KCB Plaza, which hosts the NCA Headquarters among many others? The undisputed fact that most projects run by their firms are done well ahead of schedule was the first reason according to Mathu (2016). Mathu while presenting a paper on the 'Impact of the Influx of Chinese in the Construction during a quantity surveyors Continuous Professional Development (CPD) organized by the Institute of Quantity Surveyors of Kenya (2016). Confidence in their work is another factor. This has been spurred by their firms providing high quality and competitively priced work in the construction

sector. Financial muscle and local contractors do not stand a chance. However, the government through the NCA has come up with measures to ensure that local contractors benefit from contracts won by Chinese firms. Under the new law foreign firms would be required to ensure that a minimum of 30 per cent shareholding of their local operations go to local contractors. At least 30 per cent of the monetary value of any project awarded to a foreign contractor should also go to locals. "For foreign contractors, registration is up to the expiry of the defect liability; a period for the project at hand, but for the local contractors, the registration is renewed annually" NCA (2016). According to Principal Secretary in the Ministry of Land, Housing and Urban Development, State Department of Public Works (2016), the proposed Contractors Development Fund will also protect local contractors from high interest rates charged by commercial banks.

## RESEARCH METHODOLOGY

### Financial Capacity

**Table 1: Descriptive Statistics on Financial capacity**

Variables	Mean	Std. deviation
The firm net income has been growing steadily every year	3.8843	.85213
The firm receives professional financial advice	3.4823	.83313
The firm has insurance cover against its risks.	2.437	.45321
The firm has extra financial savings for emergencies.	3.672	.45326
The firm has the financial capacity to handle any size of project.	3.5699	.59734
The firm has been growing its financial capabilities over the years.	3.6578	.79531
The firm makes right financial choices most of the time.	3.1752	.63974
The firm keeps up to date with what is happening with the financial matters such as economy and the financial services sector.	2.7396	.44670
The firm has to take loans to undertake projects	3.9951	.81313

The respondents were required to indicate their level of agreements with various firm's financial aspects. Items were measured on a five point Likert-Type scale ranging from 1 being "Strongly Disagree" to 5 being "Strongly Agree". Means of between 2.437-3.9951 and

A reach design is the structure of the research. In this study, the case study research design was the most appropriate method to be applied because it provided in-depth information by seeking to describe a unit in detail, in context and holistically. National construction authority had registered 18,034 contracts in all the seven categories in the 47 Counties. But it is only 897 Small and Medium Size Roads Contractors who were sort listed under Kenya National Highways Authority and doing business within the Nairobi County. The coded data was then, with the help of Statistical Package for Social Sciences (SPSS) version 20.

## FINDINGS AND DISCUSSIONS

### Study Variables

The study sought to investigate the effect of the financial capacity on performance of small and medium size roads contractor. Nine major financial elements were considered ranging from finance planning, professional advice, insurance, savings, capacity and growth.

standard deviation of between 0.44670-0.85213 were registered. It was clear from the study findings that the firms have to take loans to undertake projects (3.9951). An indication that the firms did not have the capacity to do big contracts that could require huge



financing yet they might not have the capacity to access huge loans. However majority of the respondents indicated that their firms have insurance cover against their risks. This could be as a result that it was a basic requirement for firm to have before being offered a roads construction contract.

The findings are represented in table 1 above. The results do concur with the literature review that contractor take loans to undertake project and that insurance is a requirement to carry out roads projects and there they all they insurance covers against risks.

### Leadership

**Table 2: Descriptive statistics on leadership**

Variables	Mean	Std. deviation
The firm Chief Executive Officers who have project management knowledge and skills perform better in projects	3.6523	.41756
The firm leadership do not maintains daily motivational and inspiration		
The firm leadership dictates what needs to be done and expects cooperation	3.9897	.41351
The Chief Executive fosters creative and innovative thinking within the firm	3.5657	.24685

The respondents were further required to indicate their level of agreement with firm’s leadership aspects. Items that were measured on a five point Likert-Type scale ranging from 1 being “Strongly Disagree” to 5 being “Strongly Agree”. Means between 3.4657-3.9897 and standard deviation of between 0.24685-0.41756 were registered. The research findings therefore revealed that firms’ leadership dictated what needed to be done and expected cooperation (3.9897). This indicated that the employees worked under

dictatorship environment. The finding also indicated that chief executives who how had trained as project managers managed project better than their counterparts. The Findings also indicated that chief executive officer fostered creative and innovative thinking within the firm. The firm leadership did not maintains daily motivational and inspiration. The findings are shown in the Table 2 above. In the literature review leaders don’t dictate what needs to be done.

### Organizational Culture

**Table 3: Descriptive statistics on organizational culture**

Variables	Mean	Std. deviation
The firm doesn’t have a functional organizational culture	3.3349	.47305
The firm doesn’t engage and support employees	3.6744	.94525
Day-to-day work environment is not conducive	3.6698	.94610
The firm has no growth opportunities	2.9953	.41915
The firm don’t deals with internal conflict in a laid structure	3.1523	.24712

The respondents were further required to indicate their level of agreement with firm's organizational culture aspects. Items that were measured on a five point Likert-Type scale ranging from 1 being "Strongly Disagree" to 5 being "Strongly Agree". Means between 2.9953-3.6744 and standard deviation of between 0.24712-0.94610 were registered. It was clear from the research findings that firms don't engage and support employees (3.6744).The employees feel detached from the firms and hence are less motivated to produce desired results In addition, day-to-day work environment was not conducive (3.6698) this resulted into poor employee performance. Those firms didn't have a functional organizational culture

### Political Economy

**Table 4: Descriptive statistics on political economy**

Variables	Mean	Std. deviation
The government policies in place do not adequately support small and medium size contractors	4.3216	.52331
Political Pronouncements have influence on the project Performance.	4.3216	.52331
International Finance Agreements (G to G) have no influence on the firm's growth performance	3.6565	.54218
Change of Political Leadership has influence on the project performance	4.5131	.67631
Regulations and De-Regulations Trends have no influence on the firm's performance	3.3256	.94525

The respondents were further required to indicate their level of agreement with political economy aspects. Items that were measured on a five point Likert-Type scale ranging from 1 being "Strongly Disagree" to 5 being "Strongly Agree". Means between 3.3256-4.5131 and standard deviation of between 0.52331-0.94525 were registered. The research findings therefore revealed that the government policies in place do not adequately support small and medium size contractors (4.3216). In equal measure Political Pronouncements have

### Correlation Analysis

(3.3349). This created confusion on who was answerable to whom and who does what in the organization. Those firms don't deals with internal conflict in a laid structure (3.1523) this resulted into lack of organizational ownership and high staff turnover. The firms have no growth opportunities (2.9953) for the employees. This makes them dormant and or to leave the organization for better employers. The findings are shown on Table 3 above. However from the literature review it was clear many contractors in developed counties support their employees and operate in an environment that was conducive. This enhanced their Performance.

influence on the project Performance. Regulations and De-Regulations Trends have no influence on the project performance (3.3256). The findings were shown in the Table 4 above. Equally, political pronouncements most affect the small and medium size contractors but will most favor big contractors. New regulations will in most times affect small and medium size contractors who are not well established unlike big contractors. This concurs with the literature review that most governments do not have policies that protect small and medium size contractors.

**Table5: Correlation Matrix for determinants and project performance**

Financial Capacity	Pearson Correlation	.785(*)
	Sig. (2tailed)	.02
	n	110
Human Capacity	Pearson Correlation	.664(*)
	Sig. (2tailed)	.03
	n	110
Organizational Culture	Pearson Correlation	.656
	Sig. (2tailed)	.3
	n	110
Political Economy	Pearson Correlation	.521(*)
	Sig. (2tailed)	.04
	n	110

Correlation analysis models the relationship between the dependent variables which was project performance and the independent variables which were financial capacity, leadership, organizational culture and political economy. The correlation analysis represented in Table 5 revealed that there is considerably a strong positive correlation between the variables. Specifically it is noted that there is strong positive relationship between financial capacity and project performance of small and medium size contractors (n=110, r =.78, p <.05. further the research findings also revealed that there was also a strong positive relationship between Human factors (n=110, r =.664, p < .5), organizational culture (n= 110, r =.656, p, 0.5) and project performance in small and medium size contractors. However there was moderate positive relationship between political economy and project performance in small and medium size contractors (n=110, r =.521, p<0.5). These results were all positive and statistically significant, hence supporting the fact that financial capacity, human capacity, organization culture and political economy affect project performance in small and medium size contractors. These findings were consistent with the findings of Bae and Lawler (2000).

Project performance and financial Capacity is essential to achieving sustainable success, and is universal to all organizations, regardless of size, type, and location. Strategies and plans need to be informed by quantitative and qualitative insights and a sound understanding of the external competitive environment, including customers, as well as of internal organizational performance.

Executing strategy involves translating strategies into action, allocating resources to the right areas, and measuring results and holding people accountable. Project performance and financial management covers all of these core aspects of managing and improving organizational performance. It involves understanding the linkages between intangible—or non-financial—factors and financial outcomes, as well as ensuring that operational activities are carried out effectively and efficiently. Managers need to know that the organization is doing the right things as well as doing them in the best way possible.

Executing strategy is often seen as more important than the formulation of the strategy itself.

Sound financial planning, management, and control provides the basis for an organization achieving its goals and can be the difference between success and failure. Good financial management enables an

organization to monitor its daily activities, maintain short-term working capital needs, and effectively manages its resources as well as provides the information it requires to enable it to plan and operate more efficiently.

Human Resource is the most valuable asset to any organization. Unlike other assets, people are the only greatest potential asset and the only greatest potential liability that an organization will acquire as it moves about its business. Human capital is not just the people working in an organization. It's a broad combination of their experience, attitudes, abilities, culture etc. A Number of researches suggest a positive relationship between human capital and project success. Thus, it is the responsibility of the firm to design such human resource practices that facilitate the development of human capital. It could be said that the human capital practices such as training and development, teamwork and trust, enhance the development of human capital and ultimately affect the project performance successfully in time and efficient manner.

Organizational culture is one of the most influential factors of successful project performance in enterprises and is part of the overall organizational culture (Skarabot, 1998). Project culture is the general attitude to projects within the business. Most projects do not operate in isolation; they have to operate within a business environment that should be complementary to the requirements of good project management. The culture affects strategic planning and implementation, project management, and everything else (Cleland, 1999). Co-operative cultures require effective management support at all levels and the interface between project management and line management is critical. A matrix organization is particularly important, where responsibility for the

project is shared between the project managers and line managers (Levine, 2002). Effective relationships with line management are based on the following factors (Kerzner, 2001). Both the project and line manager can develop a mutually agreeable project culture and working relationship. There are four typical cultures (Kerzner & Saladis, 2009); (a) co-operative – based on trust, communication, teamwork, and cooperation; (b) competitive – each one tries to advance at the expense of the other; (c) isolated – the functional unit creates its own culture, and the project manager must manage work according to that culture or risk alienating the line manager and the functional group; and (d) fragmented – this appears in multinational projects and virtual teams.

Tornatzky & Fleischer (1990) found that projects failed to achieve successful results because of three factors. The factors are the organizational background, the external environment, and the technological framework. Failure in the organizational context can be attributed to leadership, corporate culture, corporate project knowledge base, and top level support. Failure in the external environment is linked to competitors, suppliers, customers, vendors, government, and education. Failure in the technological framework can be hardware, software, and telecommunications or a combination of the three areas (Tornatzky & Fleischer, 1990). Kumar (2000), in a study of reengineering projects, found that failure was primarily linked to the organizational context and could attribute to the lack of leadership, organizational culture, the lack of integration, and the lack of commitment by senior management. Failure of projects at NMG is depicted through: termination of projects before completion, project cost over runs, the project outcomes not fully addressing the business requirements. This has serious consequences for the company in terms of lost market share and reduced revenue.

Politics often explains where development assistance has been effective and where it has not. Yet, until the 2000s there has been little focus by development agencies on political issues. This has begun to change with political economy analysis now being more systematically used by development agencies to understand the real world. Much valuable work has been done in recent years in developing new analytical frameworks, generating fresh insights and applying these to problem-solving. Nigeria and Bangladesh are two positive examples where PEA has demonstrated its analytical and operational usefulness. Much remains to be done in these countries and more widely, to ensure stronger uptake of political economy analysis. On the supply side this includes getting the 'product' right, and better communicating the message. On the demand side, there is a need to take more account of the incentives facing development agencies and to gather more systematic evidence on the operational impact of political economy analysis to date. According to Lawler (2000) small and medium size contractors face more challenges that directly influence their performances. The performance challenges the small and medium size contractors face are in most cases very different from those faced by the big contractors. The smaller the contractor, in terms of financial capacity, technical capacity, experience and human capacity they more problems they will face in their performance. They need government empowerment to overcome these challenges.

### **CONCLUSIONS AND RECOMMENDATIONS**

The research set out to determine the extent to which financial capacity, human capacity, organization culture and political economy affect project performance in small and medium size contractors. The general objective of the study was to identify determinants of project performance of small and medium size roads contractors in Kenya. The

specific objectives of the study were: to determine the influence of financial capacity on the performance of small and medium size roads contractors; to examine the influence of leadership factors on the performance of the small and medium size roads contractors; to establish the influence of organizational culture on the performance of the small and medium size roads contractors and to find out the influence of political economy on the performance of small and medium size roads contractors.

Financial Capacity is essential to small and medium size roads construction firms to achieving sustainable success and is universal to all organizations, regardless of size, type, and location. Sound financial planning, management, and control provides the basis for the firms achieve their goals and could be the difference between success and failure.

Human Resource is the most valuable asset to any organization. Human capital is not just the people working in an organization. It's a broad combination of their experience, attitudes, abilities, culture etc. The human capital practices such as training and development, teamwork and trust, enhance the development of human capital and ultimately affect the project performance successfully in time and efficient manner.

Organizational culture is one of the most influential factors of successful project performance in enterprises and is part of the overall organizational culture. Most projects do not operate in isolation; they have to operate within a business environment that should be complementary to the requirements of good project management.

Many governance programmes fail because they focus solely on strengthening formal, rules-based institutions and ignore the connections between the public and private spheres of life. The relevance



of political economy analysis to private sector development issues, and identifies with the aid of case studies the typical ways in which political processes affect the business environment and conditions for reform. This requires policymakers to rethink their assumptions about governance and development. While in the longer term it is desirable to build rules-based, inclusive institutions, progress in the short- to medium-term will depend more on indirect strategies that aim to influence the incentives and interests of local actors in the context of informal institutions and personalized relationships.

### **Conclusion**

The study revealed that a majority of small and medium size roads contractors have to take loans to finance the projects that they are awarded to undertake. Studies on financing have sought to provide explanations of the manner in which firms build their debt-equity mix in order to finance investments. Arguing that smaller firms are less "transparent", Psillaki (2005) showed that they tend to bear higher costs due to information asymmetry. Moreover, starting from the assumption that the size of a firm is determined based on the financial statements it files regularly, Pettit and Singer (2005) argued that smaller businesses face greater information asymmetries.

The study revealed that small and medium size roads contractors' leadership dictates what needs to be done and expects cooperation but they lack the required skills. There is little room for creativity and innovation. This is collaborated by Northouse (2017) trait theories argue that effective leaders share a number of common personality characteristics, or "traits." Early trait theories said that leadership is an innate, instinctive quality that one do or don't have. The trait leadership theory believes that people are either born or are made with certain qualities that will make them excel in leadership roles. Kouzes

and Posner (2006) agree that most leaders do not allow their employees to be creative and innovative at their place of work. They believe they know better what they need than their employees.

The study further confirmed that small and medium size roads contractors don't engage and support employees. The employees are simply used as tools of work. It could therefore be argued that they don't own what they do and this plays a vital role in the success or failure of the roads projects. Thus, in practice of project management, culture should be treated as a significant aspect in controlling conflicts, improving quality outcomes, and encouraging innovation, (Ochieng, Price, & Moore, 2013).

The study revealed that the government policies in place do not adequately support small and medium size roads contractors and in addition political pronouncements have influence on the project Performance. Political leadership has a direct influence on how small and medium size roads contracts perform in project. This is in agreement with Zhang (2005) identified a stable political system, favorable economic system, adequate financial market, predictable currency exchange risk, low interest rate, long-term debt financing, a favorable legal framework and government support, as critical to the success of construction projects.

### **Recommendations**

The results of the study have important implications for small and medium size roads contractors. Based on the findings of the study, small and medium size roads contractors should realize the importance of good project financial management. They should prefer internal financing and that, should external resources be necessary, they should select the appropriate financing methods based on the risk level involved. It takes money to make money, so

the proverbial saying goes. Businesses have to consider their finances for so many purposes, ranging from survival in bad times to bolstering the next success in good ones. How to finance the business can affect the ability to employ staff, purchase goods, acquire licenses, expand and develop. While finances are not necessarily as important as vision and a great product, they are crucial to making the good stuff happen. There is no "magic combination" of characteristics that makes a leader successful, and different characteristics matter in different circumstances. Different situations demand specific leadership skills. In this regard small and medium size roads contractors need to selectively apply different leadership styles to improvement on project performance. Small and medium size roads contractors' leaders need to acquire the necessary leadership training to get the knowledge and skills required. Culture is more often a source of conflict than of synergy (Babatunde & Low, 2015). The culture of engaging and supporting employees is lacking in the small and medium size roads construction firms. Cultural differences are a nuisance at best and often a disaster. Despite the evidence that groups are different from each other, people tend to believe that deep inside all persons are the same. SMRCs need to appreciate other people's cultures and impress it.

Politics drives the economy. Good political policies will play a big role in enhancing small and medium size roads contractors' project performance.

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Whenever the government out sources roads contractors it should find a way of bringing on board small and medium size contractors so that they can gain experience on project management. In addition they will be able to build their financial capacities. Politics and projects always reside together. SMRCs should always impress the positive side of political economy.

## Suggestions for Further Research

This study is a milestone in for future research in this area, but since it only focused on small and medium size roads contractors in Nairobi County who are short list under the Kenya National Highways Authority, the results cannot be generalized to national level. A further study on other roads contractors in other counties and roads authorities in Kenya should provide more insight into determinants of project performance for small and medium sized roads contractors in Kenya.

Future studies should incorporate qualitative research in order to understand determinants of project success in a deeper level. The combination of qualitative and quantitative research would help to create a better and deeper understanding of determinants of project performance. Future studies could also alternate some objective measures of project performance determinant concept.

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