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Project Failure and Its Influence On the Performance of Construction Firms in Nigeria

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ABSTRACT
The construction industry, which plays an important role with great potentials of economic and national development, is now faced with consistent failure and abandonment of construction projects in Nigeria. This study investigates the underlying factors that lead to projects failure and the influence they have in the construction industry while utilizing a quantitative research approach with a Likert scale of 1-5, where an online questionnaire survey was administered with 81 responses retrieved (66 complete & 16 partially answered). The analysis of the report was carried using Relative importance index (RII) method. The findings rank 12 underlying factors that lead to project failure and abandonment such as Bureaucracy and corruption, lack of proper project planning, poor communication and unrealistic estimation of cost and time of the projects. Furthermore, the findings reveal that these 12 factors are likely to have an influence on the projects in terms of cost and time overrun, wastage and underutilization of manpower and resources, disputes among the parties involved in the project and are likely to lead to the total abandonment of the entire project.

Keywords: Project failure, Abandonment, Construction industry.

INTRODUCTION

The construction industry in Nigeria has an important position in the country's economy even though it happens to contribute less than other services industries" (Aibinu & Jagboro, 2002). The importance of this sector necessitates the industry's improved efficiency by means of cost-effectiveness, schedules and cost savings for the country. However, the construction industry has been facing criticism with the growing rate of failed or abandoned construction projects across the country (Aibinu & Jagboro, 2002).

Project failure can be considered as the inability to achieve success in an endeavour (Zoufa & Ochieng, 2014). Most frequently projects are considered a failure when they fail to deliver on schedule and work within the allocated budget and scope (Ogedengbe & Adesopo, 2003). There are many pitfalls that can make a project sink, such as failure to carry out proper analysis before embarking on the project, lack of good project management, unclear project objectives,

poor/slow decision making, gaps in communication, poor financing of the project, poor contract management, changes in site condition, shortage of building materials and issues of scope creep (Nweze, 2016).

Although some projects may be completed within the scheduled time, budget or scope, they can still be considered as failed projects for reasons such as failure to meet client's satisfaction, inability to meet quality specifications, as well as failure to serve its purpose (Ogedengbe & Adesopo, 2003). When projects are being delayed in their execution, they usually have their duration extended which of course will incur some cost consequences as well (Aibinu & Jagboro, 2002).

Furthermore, the Nigerian construction industry particularly has b (Nzekwe, Oladejo, & Emoh, 2015)een dotted with reoccurring issues of many abandoned or uncompleted projects across the country after huge financial mobilizations (Agundu, Okwandu, & Owuala Mba, 2003). Several projects that have sucked up billions of dollars to completion are left to rot away with no proper supervision, maintenance and management to serve their purpose. According to Ewa, (2013), there are about 400 uncompleted or abandoned projects that have sucked up billions of naira, which will take about 3 decades to complete.

In fact, just within the Federal Capital Territory alone, the high numbers of abandoned projects defacing the landscape of the city is something to worry about. More often than not, the majority of the projects drag on for years before completion and end up becoming functionally obsolete (Nzekwe, Oladejo, & Emoh, 2015). A common example is that of the National Stadium located in the Federal Capital Territory, Abuja. The project was completed ahead of the 8th All African Games in 2003, which cost about $360 million is abandoned today to serve as a grazing area for herdsmen traversing the facility without any restriction (Adaoyichi, 2017). The facilities are in bad conditions; the pitch cannot even be used for training let alone games (Adaoyichi, 2017). Secondly, the Velodrome that is meant for cycle racing is now a storage facility for gas cylinders and stoves (Adaoyichi, 2017). This sadly depicts a totally failed project that reflects Nigeria's problems of poor management and maintenance of facilities.

Also looking at the real estate sector, which is supposed to be one of the fastest growing sectors in the industry is also greeted with issues like lack of funds and proper management leaving the developers behind with vacant and abandoned projects/properties (Nzekwe, Oladejo, & Emoh, 2015). Many real estate firms are bemoaned with all kinds of architectural designs, fliers and billboard adverts about proposed building developments that sadly never saw the light of the day. As the real estate sector is also becoming more complex and competitive by the time, hence the need for proper and thorough project management while embarking on such huge projects.

Statement of the Problem

The reoccurrence of failed, uncompleted, abandoned or poorly maintained construction projects across the country has taken a worrisome dimension where huge investments end up being wasted. Several authors have identified the factors responsible for recorded cases of abandoned and uncompleted projects across the country which include; lack of proper planning, incorrect cost estimates, insufficient funds, poor designs, use of substandard construction materials, poor risk management practices, corruption in the industry, use of quack contractors/developers

instead of professionals, lack of proper project evaluation, non-enforcement of building codes or construction regulations etc. (Ubani & Ononuju 2013; Aibinu & Jagboro, 2002); Olalusi & Otunola, 2012). The rate at which projects fail and are abandoned across the country for one reason or the other is becoming a worrisome trend. Therefore, it is on this note that this research aims to address the underlying factors responsible for project failure and suggest solutions to curb project failure to facilitate development in the construction industry in Nigeria.

Objectives of the Study

The objective of this research includes the following:

i. To investigate the underlying factors that lead to project failure in the construction industry in Nigeria.
ii. To investigate the influence of project failure in the construction industry in Nigeria.

Research Questions

This study will be therefore be guided by the following research questions:

i. What are the underlying factors that lead to project failure in the construction industry in Nigeria?
ii. What influence does project failure have in the construction industry in Nigeria?

LITERATURE REVIEW

Project and Project Management

A project is defined in many ways but in simple terms, it is a temporary endeavour that is undertaken within a given period of time to achieve an objective and produce a unique product or service (PMI, 2008). Projects have different phases such as; planning phase, execution phase, monitoring and control phase, and closing phase (PMI, 2008), that will, in turn, make the delivery of the project more sequential and easy to track, control, and make corrections when the need arises (PMI, 2008).

On the other hand, project management is defined as the application of tools, techniques, skills and knowledge to project activities in order to achieve project objectives (PMI, 2008). Project management helps an organization identify its goals, build projects that are designed to achieve those goals, optimize the use of available resources and create maximum value. Project management is broad; it involves planning, organizing, directing and controlling activities (Nzekwe, Oladejo, & Emoh, 2015). The planning stage, involves deciding what needs to be done, when and by whom; the organization stage involves getting the resources through procurement and recruitment activities and allocating them; these activities are then directed towards the project objectives and also controlled to ensure that they fit within the limits that are set for them such as budget and resource allocations.

For every project to succeed there is a need for extensive planning before it is embarked upon, where failure to do so may lead to the failure of such projects (Omotayo & Kaushal, 2014). The techniques that are adopted in a project basically determines the success of that project as it

guides its implementation, but if the project is flawed right from the start then it is likely to fail (Omotayo & Kaushal, 2014).

In the construction industry, all the project activities require appropriate skills and techniques that go beyond just technical expertise but have good skills, knowledge and techniques to manage and execute projects effectively, manage limited resources, work within allocated budget and schedule while dealing with the issues of clients/people (Abbasi & Al-Mharmah, 2000).

In every project, there has to be a project manager who oversees the activities of the project and ensure that everything goes as planned. Therefore, every project manager should be informed about the general principles of project management, how they work and inter-relate in order to achieve the goals of the organization. The project manager has to be one with vast knowledge and a good deal of experience in the field (Nguyen & Chileshe, 2015).

Project Failure in The Construction Industry in Nigeria

Projects inability to generally satisfy the needs and desires of end users is also an instance of project failure (Nwachukwu & Nzotta, 2010). A project irrespective of when it is completed and its budget fitting, if it doesn't serve its purpose then it is indeed considered a failed project. According to Baker et al (2010), project success means more than just meeting schedules, allocated budget and performance specifications. They believe that the level of satisfaction of the client is one strong index in measuring the success or failure of a project.

Project abandonment is also seen as a consequence of a failed project (Ubani et al, 2015). It is the act of giving up a project under construction with no specific time to resume work on the project. According to Abdulrahman et al (2013), a construction project is considered abandoned when it is not ready or completed for use by its occupants. While others consider a project abandoned when its appearance is deteriorated, burned or boarded up (Ubani et al, 2015).

In Nigeria, construction projects fail as a result of several factors such as; lack of proper planning, incorrect cost estimates, insufficient funds, poor designs, use of substandard construction materials, poor feasibility studies and other analysis, poor risk management practices, corruption in the industry, use of quack contractors/developers instead of professionals, unforeseen natural calamities, lack of proper project evaluation, non-enforcement of building codes or construction regulations etc. (Ubani & Ononuju 2013; Aibinu & Jagboro, 2002; Olalusi & Anthony 2012).

Ayodele & Alabi (2011) state that Nigeria has sadly become the “world’s junkyard” of many abandoned projects that have sucked up billions of naira to implement. Being a country that has lots of potentials including the construction industry, Ewa (2013) reported that there are about 400 uncompleted or abandoned projects that have sucked up billions of naira defacing the landscape of the country, which will take about 3 decades to be completed. An example of such is the National Library in Abuja, which is a project, conceived to be a national monument passed in 2006 contracted to Raynolds construction limited. The project initially was approved at N8.6 billion to be completed in 22 months. However, the reverse was the case as many iterations occurred during its implementation like scaling down the number floors from 8 to 5 floors and the budget skyrocketed to N17 billion while adjusting the completion timeline to 21 months from July 2010 when it was revised. Till date this project has not been completed, the existing

building is deteriorated with cracked walls, leaky roof, broken down toilets and water pipes etc. (Omotayo & Kaushal, 2014). There are also many cases of buildings collapsing across the country, just recently on March 13, 2019, there was a case of school building collapsing in Lagos state claiming the lives of many school children and others injured. The rate at which projects fail is indeed becoming very alarming. “This shows that poorly designed projects could lead to early dilapidation and short utility life where in most cases, structural collapse may occur” (Nzekwe, Oladejo, & Emoh, 2015).

The failure of projects from a cost perspective in the construction industry has become a worrisome trend as well (Nzekwe, Oladejo, & Emoh, 2015). All project costs vary in terms of external factors such as inflation and other unforeseen events, but more often than not, it is the poor project conception and its design that makes it almost impossible to estimate the cost of materials and the entire project itself (Nzekwe, Oladejo, & Emoh, 2015). This issue has then become a good opportunity for corrupt contractors to make cost variations in the ongoing projects and divert the funds to their personal pockets. As a result of this, "the ultimate cost of the project after all the variations did is several magnitudes higher than the projected cost at the start" (Nzekwe, Oladejo, & Emoh, 2015).

Another factor that leads to projects failing and being abandoned in Nigeria is no other than a change of government, where we see in every part of the country, the issue of lack of continuity of projects (Zoufa & Ochieng, 2014). Every new government that comes to power wants to initiate a new project rather than completing the existing projects that have been started by the previous government. This leads to so many projects abandoned halfway with no hope of continuity, which could cause a negative impact on the society at large (Zoufa & Ochieng, 2014). Furthermore, the inability to meet client’s/customers satisfaction is another factor that can lead to the failure of a project (Ubani et al, 2015). In most cases, we embark on projects that gulp billions of naira and at the end of the day, they don't serve a justifiable purpose to the end users. Therefore, this shows that the conceptualization of the project itself from the start must address specific purpose/objectives. Other factors that lead to project failure could range from technical issues that are associated with poor conceptualization of the project (Nzekwe, Oladejo, & Emoh, 2015); to economic factors such as inflation affecting the prices of raw materials; bureaucracy and corruption in the industry; as well as inadequate skills needed to carry out the project activities from its start to finish.

The general effects of projects being abandoned are assumed to include; waste of resources and time, lowering property value; loss of tax revenues to the government; loss of community as well as neighbourhoods aesthetics values (Efenudu, 2010). Therefore, this research will aim at conducting a questionnaire survey to investigate the underlying factors responsible for project failure and suggest solutions to curb project failure to facilitate development in the construction industry in Nigeria.

METHODOLOGY

An online questionnaire-based survey was adopted for this research study, which is considered to be the most appropriate tool to carry out the research. Likert scale was used with a weight of 5 points in the data collection in which 81 responses where generated (63 completed & 18 partially

answered). The variables of the research were therefore extracted from the literature of the study. Having into account different profiles; Project managers, Contractors, Consultants, Project team members, Engineers, Architects, Clients, and others. It was also designed in 3 different sections; general information of the respondents; factors leading to project failure and abandonment; and their influence in the construction industry and project management respectively.
The data was analyzed using the Relative Importance Index (RII) approach, which is a measure that determines the relative importance of the underlying factors considered in the study. The index is given as follows:
$RII = (5n_5 + 4n_4 + 3n_3 + 2n_2 + n_1) / 5N)$
Where:
n_5= Strongly agree (SA); n_4=Agree (A); n_3=Neutral (N); n_2=Disagree (D), n_1=Strongly disagree (SD) N= Total number of responses

DISCUSSION OF FINDINGS

This section provides the results and findings as well as discussion of the analysis that was carried out from the retrieved questionnaire survey. Table 2 answers the research question of the underlying factors that lead to project failure in Nigeria while Table 2 answers the question of their influence on projects in the construction industry in Nigeria.

Table 1: General information of respondents

What is your profession	Project Manager	Engineer	Architect	Contractor	Others
	13	6	2	7	35
Where do you work currently?	Real estate/ construction	Architectural firm	Consultancy firm	Public sector	Others
	19	2	5	14	26

Zoho Survey Source:
The table 1 above represents the profile of the project respondents. 13 (20.63%) of them are project managers, 6 (9.25%) are Engineers, 2 (3.1%) are Architects, 7 (11.11%) are Contractors while the remaining 35 (55.56%) comprise of clients, project team members, finance and administration employees of a construction company. Also, 19 (29.69%) of the respondents work in Real Estate and Construction firms, 2 (3.12%) are in Architectural firms, 5 (7.81%) are in consultancy firms, 14 (21.88%) work in the public sector (Ministry of works and housing to be precise), while 26 (40.62%) of the respondents work in private firms.

Table 2: Relative Importance Index on the factors that lead to project failure in the construction industry

QUESTIONS	SD (1)	D (2)	N (3)	A (4)	SA (5)	RII	Rank
Lack of funds to finance the project to completion.	3	8	8	24	16	0.74	8
Use of substandard construction materials	4	4	8	29	14	0.75	6
Project manager incompetence	3	8	14	19	14	0.71	10
Poor project planning and design	2	6	7	21	22	0.79	3
Lack of adequate information and effective communication among the parties involved	1	7	11	27	12	0.74	7
Changes in the architectural design at the implementation stage	1	13	20	18	6	0.65	13
Bureaucracy and corruption in the industry	3	2	6	21	26	0.82	1
Unrealistic project estimates in terms of cost and schedule	2	4	7	26	19	0.79	2
Lack of project risk management	2	4	12	20	20	0.78	4
Legal disputes and non-enforcement of building codes or construction regulations	2	8	12	25	11	0.72	9
Mistakes during the construction stage	2	8	11	31	6	0.71	11
Failure to carry out appropriate feasibility studies before embarking on the project	2	5	7	30	14	0.77	5
Mistakes and discrepancies in the contract document	1	6	18	29	4	0.70	12

Source: Zoho Survey

In a proposition to establishing the underlying factors that lead to projects failing in the construction industry, Table 2 above represents the findings ranked according to which factor has more magnitude effect using their individual RII values. While taking the first 7, the table shows Bureaucracy and corruption (RII 0.82); Unrealistic project estimates in terms of cost and schedule (RII 0.79); Poor Project Planning and design (0.79); lack of risk management (RII 0.78); Failure to carry out appropriate feasibility studies before embarking on the project (RII 0.77); Use of substandard construction material (RII 0.75); Lack of adequate information and effective communication among the parties involved (RII 0.74) as the factors that have more effect and could lead to project failure in the construction industry if proper project management is not taken to overcome them.

Table 3: Relative Importance Index for the influence of factors that lead to project failure in the construction industry

QUESTIONS	SD (1)	D (2)	N (3)	A (4)	SA (5)	RII	Rank
Cost and Time overrun	1	3	13	16	16	0.8	1
Wastage and underutilization of manpower and resources	2	3	8	22	13	0.8	2
Total abandonment of the project	3	7	5	22	12	0.7	3
A dispute between the parties involved in the project	0	8	13	21	7	0.7	4

Source: Zoho Survey

The table above represents the influence of the factors represented in Table 2 has on projects in the construction industry. From the result, we can see that Cost and time overrun were ranked first, showing that if a project is curbed with some or all of the factors mentioned in Table 2 such as Bureaucracy and corruption, unrealistic estimates in terms of cost and time, poor project planning and so on, will result to the project incurring more cost consequences and most likely an extension of time.

And of course, when a project is not done properly, it results to wastage and underutilization of manpower and resources at the end of the day, it's either the project is considered a failure or is abandoned completely causing a dispute among the parties involved in the project.

Conclusions

In conclusion, this study has demonstrated 12 underlying causes of projects failure and abandonment in the construction industry in Nigeria and the influence they are likely to have on such projects throughout the project life cycle. In a general perspective, the study demonstrates how Nigeria is poor at maintaining and managing its construction projects and also shows how failure and abandonment of momentum projects cause urban decay and backwardness of an economy.

Recommendations

In accordance with the underlying factors that lead to project failure and abandonment, the following are some recommendations to find solutions to the problems:

i. The project sponsor for proper completion of the project should make adequate funds available in record time. Contracts should also not be awarded to impotent project managers while the use of substandard construction materials must be highly prohibited
ii. Project Managers should be made to face the full wrath of the law when they abandon projects, so long as adequate funding has been provided. Also, bureaucratic bottlenecks

in Government Ministries and Agencies should be removed. The process of awarding contracts should be as flexible and transparent as possible.

iii. There should be timely information and communication dissemination between parties involved in the project whereby all parties are onboard to avoid waste of resources and manpower, and other critical factors in attaining a successful project.

iv. All projects should be executed by certified professionals that have been tested and trusted so that the feasibility studies and risk assessment will be accurate to the degree of only marginal error, hence ensuring a successful project completion

v. There should be comprehensive planning and meticulous adherence to implementation guidelines.

vi. The industry must be ready to cooperate with the regulatory and enforcement agencies to allow for proper execution and monitoring of projects.

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