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Assessment of the cause of failure in Construction Companies in Ethiopia: The case of Addis Ababa.

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Addis Ababa, Ethiopia

DECLARATION

I, Wubishet Jenebr declare that Assessment of the cause of liquidation in Construction Companies in Ethiopia: The case of Addis Ababa is my original work, has not been presented for the award of any degree or diploma in this or other universities or Colleges. All sources of materials used for this thesis work have been fully acknowledged.

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Abstract

Construction is a labor-intensive activity with capacity to provide extensive employment with limited investment. The industry provides a point of entry into the labor market to some of the least educated and most disadvantaged section of the society. Liquidation is one of the hindrances that adversely affect growth of construction companies. These failures include lack of success in projects delivery and lack of success in business performance, both of which are actually related. objective of this study was to assess the causes of liquidation Construction Companies in Addis Ababa. In order to achieve the objectives of the study, the study categorized causes of liquidation Construction from review of the related literature, into five categories: managerial causes; financial causes; political factors; business environment, business growth. The respondents rated the factors on a 5 liker scale, indicating the relative level of impact on the contracting cause liquidation. In the data analysis, the causes were ranked according to their mean value as had been assessed by the respondents. The results of this study is in financial related cases that caused the liquidation of the construction companies including lack of capital, Cash flow mis-management, Material wastages. In business environment caused the liquidation of the construction companies related National slump in economy, Absence of construction regulations, Accounting and tax practices and Award contracts to the lowest price. In political related cases that caused the liquidation of the construction companies are ethnic based approaches, Border closure in region by police, Monopoly and Banks policy. And managerial related cases that caused the liquidation of the construction companies included lack of control system, internal problems to the companies because of poor organizational setup, poor project management systems and contract management problem.

Key Words: liquidation of Construction, Causes of liquidation,

Abbreviation

GC :- General contractor

RC:- Road contractors

BC :- Building contractors

GDP :- Growth domestic population

HDI :- Human Development Index

MUDI:- Ministry of urban development and infrastructure

UK :- United kingdom

CoTM :- Construction technology and management

RDB :- Rwanda development bord

ERA :- Ethiopia road authority

CHAPTER ONE: INTRODUCTION

1.1. Background of the Study

Construction is a labor-intensive activity with capacity to provide extensive employment with limited investment. The industry provides a point of entry into the labor market to some of the least educated and most disadvantaged section of the society. And in that way, it provides the physical infrastructure, which is essential to the development of the economy (RDB, 2012).

However, the contribution of construction industry in economic development of a country notwithstanding, the construction industry worldwide is still faced with the challenges of sustainability in the business. There exist a multitude of challenges facing the construction industry today. Increasingly, difficult social, environmental, health and economic challenges continue to hamper growth of the construction industry (Kwaku, Lamia & Paul, 2014).

The construction sector is a significant element of the national economy. It provides a substantial support for social and economic development because the sector contains relatively a large number of skilled, semi-skilled and unskilled labors (ECA, 2016). This indicates the degree of importance of the construction industry in international economy. Constructing infrastructure has been an aspect of life since the beginning of this world and existence of human being. Currently, the construction sector is leading and expected to spearhead development and industrialization in Ethiopia, besides to modernize the livelihood of the people in the sector. Construction industry, because require a lot of labor being the largest employer in the country, it is also an engine for technology, innovation and overall development.

A number of contractors run bankrupt and many others end up in litigation that eventually lead to the collapse of the construction companies (Peters, 2004). It was revealed that the industry's problems in developing economies can be categorized into three areas: problems of shortages or inadequacies in industry infrastructure, problems caused by clients and consultants, and problems caused by contractor's incompetence or inadequacies. Moreover, it was observed that the major problems faced by contractors in developing countries have been classified as problems imposed by the industry's infrastructure, problems of inaccurate information and frequent changes in instructions and failure to meet obligations on the part of clients and consultants, and problems imposed by their own shortcomings and this might lead to the financial failure of contractors (Enshassi, Al-Hallaq, & Mohamed, 2006).

For the past few years, the local construction industry has developed in size and high infrastructure demand by the client causing construction project more difficult for the project objective of time, and cost to be achieved (Rahel, K. 2016). On the other hand, the construction market of Ethiopia in terms of local contractor competency and trust in general in the sector, problems are occurred in a substantial quantity due to indications such as poor performance issue of projects, clients and users dis-satisfaction (Ofori, 2018 and Rahel, K. 2016). For example, most of the road projects administered by ERA that are implemented by local contractors are claimed by clients and users. Furthermore, the Ethiopian contractors, more specifically local contractor competency those participate in ERA is under question. In this context, the contractors are question the government regarding the industry's enhancement. The industry is challenged by several problems that tend to provoke the sector and thus making efforts at developing the industry is very difficult and complex (Wubshet, J. 2003).

Therefore, this study assessed the cause of liquidation on Construction Company in Ethiopia: the case of Addis Ababa.

1.2. Statement of the Problem

Liquidation is one of the hindrances that adversely affect growth of construction companies. These failures include lack of success in projects delivery and lack of success in business performance, both of which are actually related. A number of studies on the challenges causing failure in construction industry worldwide have so far been done in the discipline of construction project management. For example, Asteway (2008) investigated the Ethiopian construction industry, and noted that the industry was faced by several and complex problems which tend to make efforts aimed at developing the construction industry rather futile. In the study, the underlying problems of the construction sector were classified into two main categories. The first was related to the consequences of the fact that the sector was not viewed and planned in an integrated manner, but rather, operates with fragmented, unrelated and often conflicting components. The second problem was related to deficiencies and market price fluctuation of the inputs required for the construction, and with this unpredictably occurring, sharp price increases led contractors into failure to complete their projects within the acceptable margin of time and quality for the client, and into failure to complete within the planned cost margin for them. This hindered their growth in all aspects.

Gwaya (2014) pointed that in the construction industry of developing countries, productivity loss is one of the greatest and severe problems arising from lack of documented data for estimating, scheduling and control of the project. The causal problem of Ethiopia's construction sector can be sub-divided in to two major classifications (Wubshet, J. 2004). The first is the result of the fact that the industry is not viewed and planned in a cohesive manner, besides it operates with in disjointed, unrelated, unreliable and often conflicting elements. The second problem is related to shortages and market price fluctuation of the inputs required for the construction. Depend on his statement; the shortages and market price fluctuation of the project inputs also highly obstruct the performance, change and competency of the local construction industry.

contract termination are the characteristics of Ethiopian construction industry. Although the construction industry in Ethiopia; the case of Addis Ababa is growing at an increasing rate, most construction companies remain at same level of growth for quite a long period of time close the companies.

Therefore, this study assessed the cause of liquidation on Construction Company in Ethiopia: the case of Addis Ababa.

1.3. Objectives

1.3.1. General Objective

The general objective of this study was to asses the cause of liquidation in Construction Companies at Addis Ababa.

1.3.2. Specific Objectives

- To identify the cause of liquidation in Construction Companies
- To evaluate the causes of liquidation in Construction companies
- To assess the socio-economic impact of construction companies' liquidation.

1.4. Research question

A. Which cause are liquidated construction company?
B. Which cases effects construction company?
C. What types of socioeconomic impacts liquidated construction company's?
D. How to minimize the effects of liquidated ion ?

1.5. Significances of the Study

The study may have the following three major significances:

In addition, an important visible gap is the information and empirical evidence gap in the area. To this effect this study will provide the following significant contributions:

- To Construction Company: the findings of the study will be directly and indirectly manifestations of the realities in the in construction companies. Therefore, they will assist the responsible bodies of construction companies in looking into themselves and make necessary institutional improvements taking advantage of the findings.
- To policy makers: The research will also help for the policy formulators, the decisions of political leaders, government stakeholders and some other direct and indirect participants who are interested in the enhancement of construction companies. Institutionalization problems are manifests of policy gaps and strategy shortcomings. On top of this the study will examine in depth the institutionalization problems in construction companies and provide the implications as input to relevant policy makers for consideration.
- Academic implications: there is a clear empirical gap in the area of construction companies in general and cause of Deficit Construction Company in Addis Ababa in particular. To this end this study will make an important contribution to the academic literature as an input to similar and related studies and theory conceptualization.

1.6. Scope and limitation

The spatial scope of the study covers Addis Ababa Construction Company in Ethiopia. The study focuses only grade one, two and three contractors on the cause of liquidation Construction Company in Ethiopia: the case of Addis Ababa.

1.7. Organization of the document

Chapter one contains background of the study, statement of the problem, research questions, research objectives, scope of the study, significance of the study, organization of the study, Chapter two deals with literature review while chapter three deals with research methodology, chapter four contains resale and discussion section and chapter five contains conclusion and recommendations of the study.

CHAPTER TWO: LITERATURE REVIEW

2.1 What is liquidation

Liquidation (or winding-up) is a process under Company Law that results in the company ceasing to exist. A company can decide to go into voluntary liquidation in which case the company arranges voluntarily to enter liquidation. Where a third party (an unpaid creditor) wishes to pursue liquidation of an insolvent company, as its debt is not being addressed, application must be made to the High Court for a decision on whether a liquidator should be appointed to the company. The liquidator's job is to realize the assets of the company and to pay the creditors (including Revenue) from the proceeds of any assets in the company. Where there are insufficient funds to pay all the creditors, the funds available are distributed to creditors in a particular order of preference. (Freedom of Information Act Document updated November 2021.)

2.2. Construction liquidation companies in developed countries

The role of the government in construction in developing and developed countries is important and varied. Governmental departments concerned with construction as a client, such as transport, communications, and health, education, and welfare, along with the major public utilities in developing countries, are frequently well staffed and technically sophisticated, often having not only their own design teams but also their own construction crew'. The government of developing countries can influence the price and availability of certain materials and thus the type and technical sophistication of construction by owning and operating major construction materials manufacturing plants (e.g., cement, steel, and glass). By providing preferential treatment to a particular sector of the construction industry, the government, in its roles as financier and policy-maker, also can substantially affect the distribution of available manpower in the industry and increase the ten

The professional's legal tie to the owner is generally negotiated contract whereby the professional is selected on the basis of his qualifications and the price negotiated, although price sometimes plays a role in selection. Developing nations thus tend to rely rather heavily on aid from designs by expatriate professionals, developed countries in this area. However, are often poorly suited to locally available labor, materials, and equipment and construction methods.

It is becoming more common, however, for the contractor to be consulted before the design is completed as designers and owners begin to realize what he can contribute. Furthermore, design-construct firms, design-construct or turnkey contracts, and construction teams formed during the initial stages of a project and composed of the owner, designer, and construction manager (someone who has both management expertise and construction knowhow) are beginning to be used and hold some limited promise for helping to alleviate the problem in both developing and developed countries. What developing countries need in addition, of course, is to cultivate local professional expertise.

2.2.1 Germany

Over the 2010-2017periods, the German broad construction sector has witnessed a declining trend in business demography. The downward trend in business demography is particularly pronounced in the real estate activities sub-sector, where company births dropped by 45.9%, from 21,875 in 2010 to 11,827 in 20,176. It was followed by the architectural and engineering activities sub-sector, where company births dropped from 11,235 in 2010 to 7,358 in 2017 (-34.5%). Lastly, the narrow construction sub-sector experienced a 19.0% drop, from 28,660 in 2010 to 23,201 in 2017(Financial Times, German residential property prices on the rise, November 2017).

Similarly, company deaths in the real estate activities sub-sector decreased by 52.2%, from 22,033 in 2010 to 10,523 in 2017, being the highest among sub-sectors. This was followed by the architectural and engineering activities sub-sector wherein the number of company deaths declined from 12,307 in 2010 to 10,499 in 2017 (-14.7%). Lastly, the narrow construction sub-sector experienced the smallest drop from 26,937 in 2010 to 25,997 in 2017 (-3.5%).

Conversely, the impact of COVID-19 pandemic was partly mitigated by government support measures, translating in a limited number of insolvencies of firms in Germany. In the first half of 2020, around 9,006 corporate insolvencies were declared in Germany, 6.2% lower than the same period last year. This is partly due to a rule designed to keep firms afloat in the pandemic. However, specific to the construction sector in Germany, there were more than 1,000 insolvencies during the first half of 2020.In March 2020, in order to combat the impact of the pandemic, the government helped financially troubled companies by allowing them to delay filing bankruptcy. This was later extended until April 2021(Financial Times, German residential property prices on the rise, November 2017).

There were several other economic policy measures announced by the German government including a EUR 122.3 billion aid package, comprising of EUR 55.0 billion for directly combating the pandemic and EUR 50.0 billion in immediate assistance for supporting microenterprises. An immediate assistance worth EUR 50.0 billion had also been announced for own-account workers and small companies. As per this measure, one-off payments of up to EUR 9,000 for companies with up to five employees (full-time equivalents) or EUR 15,000 for companies with up to ten employees (full-time equivalents) had been decided.

Considerable shortages of skilled labour have been reported by most of the sectors in Germany, and this acts as an impediment to growth of the country's economy. Though the share of firms in Germany reporting labour shortages as a factor hindering production has fallen from 27.0% in the second quarter of 2018, to 18.0% in the third quarter of 2019, it remains sizeable. The present situation of the shortage of skilled workers in Germany is further expected to fall due to demographic changes. As of January 2020, around 1.2 million jobs positions were unfilled.

According to EIB Investment Survey 2020, in comparison with other barriers, availability of skilled staff is considered to be the biggest long-term barrier in the German construction sector and it is also considered to be the biggest long-term barrier in comparison with other business sectors(Financial Times, German residential property prices on the rise, November 2017).

In order to address the challenges of skill shortages in Germany and declining working-age population (10.2 million by 2060), the government is implementing a comprehensive skilled worker strategy (*Fachkräftestrategie*). This includes fostering skilled labour immigration from non-EU countries, in addition to relying on the potential of domestic and European skilled workers. The government is encouraging immigration laws, which intends to open access to the country's labour market for skilled workers from countries outside the European Union (EU)93. Moreover, sartorial associations invest in awareness raising campaigns to attract young people for apprenticeships in the construction sector (Financial Times, German residential property prices on the rise, November 2017).

2.2.2. UK

The construction sector is a key sector for the UK economy and comprises a wide range of products, services and technologies. These are likely to vary in terms of the economic value they generate, reflecting differences in their use of particular factors of productions (raw materials,

physical capital, intangible investment, skilled and non-skilled labour and knowledge) and the value which they generate from them.

Construction is one of the largest sectors of the UK economy. It contributes almost £90 billion to the UK economy (or 6.7%) in value added, comprises over 280,000 businesses covering some 2.93 million jobs which is equivalent to about 10% of total UK employment ONS, (2011) .

The contracting industry is the largest sub-sector of the construction sector, accounting for about 70% of total value added generated by UK construction and almost 70% of the sector's jobs ONS, (2011).Construction products and services, although smaller in size, are also key to the sector's performance and generate substantial economic benefits. In 2011 some 16,000 UK-based firms alone, specializing in architecture and quantity surveying services, accounted for about £4.2 billion in gross value added. In the products sub-sector some 3,000 firms manufacturing metal structures and parts generated almost £4 billion in value added in the same yearONS, (2011).

Construction also has a much wider significance to the economy. It creates, builds and maintains the workplaces in which businesses operate and flourish, the economic infrastructure which keeps the nation connected, the homes in which people live and the schools and hospitals which provide the crucial services that society needs. A modern, competitive and efficient construction industry is essential to the UK's economic prosperity. Its contribution is also vital if the UK is to meet its Climate Change Act commitments and wider environmental and societal obligations, (2011).

In the UK, the Construction Industry Board is an industry initiative, whereas its counterpart institutions in developing countries are government agencies. The construction industry, by nature, has many special problems and requirements. The importance of taking measures to improve the performance of the construction industry has now been recognized in several countries at various levels of socio-economic development. Dedicated agencies have been formed in many countries to administer the continuous improvement of the industry, although they have different objectives, responsibilities and levels of authority Hillebrandt, (2000).

2.2.3. Australia

The construction industry is a major contributor to Australian economy. At the end of 2006 financial year, the industry had about 918 thousand employees (this is about 9% of Australian workforce). Further evidence from the Australian Bureau of Statistics suggests that, with total production worth over AU$60 Billion, construction contributed 6.4% of the total production of

goods and services in the Australian economy GDP in 2005. Before the GFC, construction's share of Australian GDP was 7%. However, due to other reasons stated above and contraction in construction activities, Australian GDP plummeted from 1% annually adjusted growth in the first quarter of 2008 to -0.9% by the end of that year. At this point, like the rest of the world, a pertinent worry in Australian polity was to model a series of workable responses to stimulate growth against the GFC, and if possible, lead the world in doing this. At some stage, towards the end of the recession, when Australia's stimulation of the economy appeared to be generating positive outcomes, other economies were still experiencing significant falls.

2.3. Construction liquidation companies in develop countries

2.3.1. China

Chinese firms are actively involved in the building industry in Botswana. Contrary to the common assumption that Chinese firms are sent by the Chinese government for Chinese government projects, most Chinese construction firms operating in Botswana work on public tenders independently awarded by the Botswana government through the Public Procurement and Asset Disposal Board (PPADB). One reason for this is that Chinese government-funded aid projects are usually granted to the least-developed countries, and Botswana does not fall into this category. However, the Chinese government does offer preferential loans to Botswana in the form of interest-free or low-interest concessional loans, but the percentage of such projects is very low compared to other local public tender projects run by Chinese construction firms in Botswana.

In general, the size of the privately owned Chinese firms is relatively smaller compared to SOEs and their professional grading is inferior (although there are a few exceptions who also obtained top government grading in Botswana). Judged by the complaints issued by the major Chinese SOEs, with advantages such as lower overheads, fewer administrative procedures and freedom in moving funds, these private firms offer strong and growing competition to the SOEs.

Many Chinese firms face the risk of losing money on their projects because they tender in terms of market entry and do not make adequate provision for the costs and risks involved in the projects themselves. The Chinese government-funded finance is a source of finance administered by the Ministry of Finance and the Ministry of Commerce; it is, however, not a guarantee of commercial profit. The companies may lose money even in these government grant projects if a project is not

properly managed. They need to understand and assess the market carefully in order not to lose money and to succeed.

Chinese companies have also been criticized for their lack of fulfillment of social responsibilities. The Chinese government encourages Chinese companies to give back to the society in which they are working and the SOEs are starting to put corporate social responsibility higher on their agendas. To list a few examples: CSCEC invited two Chinese agricultural specialists to teach the local people about irrigating using recycled waste water in its first local projects as early as the mid-1990s; China Jiangsu donated computers to the office of the Ministry of Foreign Affairs in Botswana and built houses for the local people; while Sino hydro donated generators to the school it helped to build. These Chinese companies might have done a lot, but they did not publicize this properly or communicate it to the public. Chinese companies still need to learn to work with the media on how to manage their public relations.

Interestingly enough, given the high profile that corruption assumes in many discussions of investment in Africa, Chinese officials do not see this as particularly problematic in Botswana. This is due to the robust attitude that the Botswana government has with respect to transparency and accountability, giving rise to a zero tolerance for corruption.

Finally, language and cultural barriers cause a lot misunderstanding in labour relations, because the middle management of the Chinese team on site is usually an individual technician with no or little English, and it is hard for such a person to communicate efficiently with the local workers. The less communication, the more barriers, and hence misunderstanding arise between the local people and the Chinese. A case in point is local people's complaints about the labour practices of the Chinese firms, on the one hand, while on the other, the Chinese firms complain about the lack of understanding of their local staff and the latter's low productivity output.

2.3.2. India

The challenges in the construction industry are not uniform throughout the world, especially, in developing countries which use labor intensive techniques that leads to a number of fatalities on the construction site. The reasons behind the number of fatalities include governmental instability, lack of equipment, and shortage of skilled labor. Extensive literature review was done to better understand the existing information technology in the both the countries i.e. India and USA. The scope of research work being done on challenges has been limited to mostly developed countries.

Currently, there is very little documentation on the research conducted on this topic for the Indian Construction industry.

The modern world can be divided into three different parts on the basis of Human Development Index (HDI) (World Health Organization, 2016). The Human Development Index (HDI) is a composite statistic of life expectancy, education, and income per capita indicators. The first part consists of developed countries like United States of America, Japan, and Canada having very human development ratio. The second part consists of developing nations that have medium human development index. The third part consists of the under developed nations that need extensive developments among the countries and have very low human index. For this study, the countries of the first two parts are referred to as developed nations and the countries that come under the third category are referred to as developing nations.

2.3.3. South Africa

South Africa is among the developing countries that are slightly advanced technologically, compared to nations such as Nigeria. Technological advancement brings about creativeness and innovation, which is key component for improved performance in the construction industry. In any case, the developing benchmarks of innovation inside the nation and abroad have a tendency to restrict the extent of works of the activities that can be executed; this includes the required material, gear and the accessibility of staff. There is additionally a difficult issue with clients approving new and improved building techniques and imaginative building frameworks that could contribute to the expected performance of the construction industry Ofori (1990). Small and emerging organizations can be advanced by efficient administration arrangement utilized to work in numbers to ease neediness and lift the economy (CIDB, 2007). It will be unjust to confer the importance of technological advancement without including the pivotal role played communication systems in the construction industry. Emuze and James (2013:45) expressed that communication is one of the key variables which impacts the construction processes to some degree. Communication is hence a key factor in the development business. The absence of compelling communication among people affects employee and organizational performance, which in turn deteriorated the performance of the industry all together.

South Africa creates its own key materials and depends on imported hardware. Hence, increments in material expenses directly increases project cost, if not catered for in the project this can badly

affect the performance of the construction industry. The CIDB (2007) investigate the Building and Construction Sector in South Africa, it also takes note of that the costs of unpredictable building materials, for example, steel, bond, sand, copper, timber, polyvinyl chloride (PVC) channels, bitumen and stone work expanded by up to 100% between October 2000 and 2006, which economically affect the performance of the construction industry entirely.

The findings further agree with Van wyk (2004) that the inability of the South African government to adequately fund construction projects affects the performance of the construction industry, this includes government (client) failing to pay contractors for work done which affects the development of the small and emerging construction companies.

2.3.4. Kenya

Based on a study conducted in Kenya, the majority of road construction projects in Kenya do not get completed within the initially set targets of time. Project delays frustrate the process of development, have an immeasurable cost implication to the society, and also lead to loss of reputation of the parties involved in the projects' execution. Project delays are a common problem internationally in the construction industry in modern times. Investigating the reasons for delay has become an important contribution to improved construction industry performance.

Over seventy percent of projects initiated in Kenya are likely to escalate in time with a magnitude of over fifty percent. The study conducted in Kenya used purposive sampling technique and survey design. Data was collected using questionnaires which were distributed to consultants and contractors. The data was analyzed using the Relative Importance Index and Spearman's rank correlation. The top four causes of project delays were observed to be payment by client, slow decision making and bureaucracy in client organization, inadequate planning and scheduling, and rain. It is recommended that clients should improve their financial management systems so that they are able to pay contractors in a timely manner. Bureaucracy and red tape should be reduced in client organizations in order to speed up the slow decision making process. Efficient management of the construction process will also lead to a reduction in incidences of claims. Contractors should prepare adequate plans and schedules which can also be used to minimize the effects of rain (Seboru, 2015).

2.4. Construction liquidation companies in Ethiopia

In Ethiopia the major problem is building materials, especially the roofing materials. As a common practice round tree (usually Eucalyptus tree) and corrugated iron sheets are widely used. Today, these materials have become very expensive so that low-income people are almost unable to build their houses. Reinforced concrete slabs were tried, but they were found out to be difficult to make water tight in most constructions. This in fact could be improved if proper management and good quality control of materials were available. But for low cost houses, a rather cheap roofing material should be introduced. Several research works are still on the way to find a replacement for the corrugated iron sheet. The building code sets out building regulations and requirements. It is a legal document and it confers powers to all the local authorities to oversee that the building code and building by-laws are maintained in the areas of their jurisdiction. But since the housing policy of Ethiopia was not strong in the past, several disorganized urban plans, designs, construction methods are visible. To overcome these problems, research works on up grading low income housing, proposing new low-cost housing projects, introducing new sanitation methods, use of local building materials and transfer of construction technology are still in progress.

2.5. Causes of liquidation in the construction industry

In construction, there are three principal parties involved, namely, owner, consultants and contractors. The relationship between these parties is adversarial because each party has goals which often conflicts with those of the other parties in the projects. The relation among the parties could be a major source of a contractors' failure. There is no exact definition of a contractor's failure. However, it could be defined as when a business ceases operation following assignments, due to the inability to continue construction, and the business goes into bankruptcy due to failure to collect money from customers, and voluntarily withdraws because of dissatisfaction with business or profit. The construction industry has very high risks which could lead to contractors' failure, arising from the sensitivity of the business to economic cycles, and competition. Because there are large numbers of contractors, it is easy to establish a new firm. Since entry into the construction business is easy, implementation could easily be poor and unorganized, which increases the probability of a contractor's failure (Bader, 2004; Memba,&Nyanumba, 2013).

2.5.1. Challenges related to construction costs

Construction cost consists of the direct construction cost, indirect construction cost and risk allowances. The cost components have been categorized as follows:

The Direct construction costs are all costs that can be specifically recorded with an activity in a project. The direct cost cover the largest portion of the total project cost and these costs can be budgeted, monitored and controlled far more effectively than the indirect costs. And they mainly include material, labor, equipment, and subcontract costs. On the other hand indirect construction costs are all costs, which cannot be directly booked under a specific activity in a construction project but required to keep the whole project operational. These costs are also called overhead costs, which mainly include the head office and site overhead costs (Yamane, 2006).

It is very crucial to integrate risk allowances in the pricing for a construction project. This helps to recompense the negative impacts of different risks such as contractual, technical, political and economic risks. Whereas, contractual risks are usually stemming from the contract agreements with the project owner, subcontractors and suppliers, technical risks are usually associated with the clarification of the technical specifications, working drawings, construction technology and difficulties in understanding new method of constructions. Political and economic risks reflect the impact of political situations, stability of economic policies, inflation and price fluctuation of the inputs (material, labor, equipment and other related costs) on the execution of the intended construction project (Yamane, 2006).

2.5.2. Business liquidation: definition and causes

The construction contracting business has the second highest failure rate of any business, exceeded only by restaurants (Clough and Sears, 2000). A contractor is at far more risk than his counterparty almost any other industry (Kangari, 1988). Also, compared to other industries, the client is subjected to a greater degree of risk for a longer period of time during the construction process. Although many firms that experience business failure are small in regard to their owned assets, there is evidence of business failures among large firms (Sanvido et al., 1992). Palestine is no exception, the increasing number of business failures in the local construction market warranted this research study.

Banks (1990) stated that many contractors feel that the best way to help control jobsite theft is to develop a thorough job site anti-theft plan before the start of construction work. The first step is to decide on a sensible, written security plan during the preconstruction period. Money should be set

aside when preparing the estimate for proper lighting, alarm systems, fencing, watchdogs, and security guard services if applicable (Banks, 1990).Therefore, security responsibilities should be assigned to the project manager, project engineer, superintendent, or any other employee who is in a position of responsibility. One of these individuals should be made responsible for the accountability of materials and equipment on site. This will ensure that everything is properly recorded when it is stored on site. Police and fire departments should also be contacted and a good line of communication established.

2.5.3. Equipment and plant related challenges

Proverbs (2000) investigated that the best practice supply chain implications for reducing construction costs. He observed that most of the loss identified with plant came from idle plant on construction site, breakdown of plant and depreciation and misuse of plant by the operators.

Idle plant is mainly due to lack of proper planning and management of the plant. It is also due to adverse weather interruptions. Breakdown of plant is either due to inadequate maintenance regime or use of old and obsolete plant and equipment. Many contractors grapple with managing such old and obsolete equipment (Proverbs, 2000).

According to Harris and McCaffer (2001), a contractor has two options in acquiring plant: he may own machinery, lease or hire it. Many contractors prefer to hire only those items of plant which are required to meet peak demand or specialized duties. The plant manager enables more efficient management of plant on sites with significant reduction in costs, by providing a full attention to each item of the plant in addition to running costs control (Harris &McCaffer, 2001).

2.5.4. Labor related challenges

Alinaitwe et al . (2007) investigated the factors that affect the productivity of workers on construction sites. The researchers found out that great loss was due to inefficient labor and staff, accidents, strikes/Industrial action, poor quality work leading to rework, poor quality labor that is not well trained and the majority of whom learn on the job, and misuse of labor by poor deployment due to inadequate supervision (Alinaitwe, Mwakali, & Hansson, 2007).

Many organizations have reduced the number of full-time employees, or are planning to do so. This is not simply due to increased efficiency, although that is a factor, but is a conscious effort to become more flexible. An increasing number of firms is combing a relatively small nucleus of full-time employee with fluctuating numbers of part-time staff or service providers. In this way

firms gain flexibility to deal with rapidly changing conditions. Lucey (2013) states that manpower planning seeks to make sure that the organization will have sufficient staff of the right caliber and expertise in order to achieve the organization corporate objectives which involve minimization of financial loss on projects. In general the part-time workers tend to be paid less and have little or no job security and many are women especially in retailing. The tendency for there to be a core of full-time employees supported by part-timers called up as required can be seen in many industries including construction, retailing, local government, security, industrial cleaning and many others (Lucey, 2013). Many employers like temporary workers because of the benefits of not having to pay sickness or holidays. The temporary worker can also be given extra work without the employer paying any extra wage (Garry, 2011).

2.5.5. Financial challenges due to mark up

The high competition among construction contractors has contributed to increased financial failures of the emerging market, making the market unsustainable. Lack of access to finance both during pre-construction which disqualifies construction contractors from meeting guarantee and performance bond requirements and during construction which leads to cash-flow problems, incomplete work and even liquidation are financial challenges faced construction contractors (Nissanke, 2001).

Shou et al. (2004) investigated the risks associated with construction projects in developing countries. Inflation has become a chronic problem whose effects permeate the entire construction industry. Contractors are faced with severe uncertainty in bidding and financing work on projects. Owners are not only paying for the increased costs of facilities and capital but also for premiums on construction prices because of the uncertainties of inflation and its side effects. Inflation will lead to increase of prices of goods and services and as a result the currency will become weaker and exports will be uncompetitive. This will result in reduction in volume of exports. The businesses will close as they fail to sell and yet have to pay high charges for inputs including labor. Here, there are policies that contractor can apply to avoid the adverse effects of inflation: Purchasing most of materials and goods in bulk at the beginning of the project; Agreeing and signing the contract fluctuation clause. This means that, in case of increased costs of materials and labor during the contract period, contractors and sub-contractors receive financial reimbursement;

and Speeding up the execution of the contract by avoiding delays on the project, as much as possible (Asteway, 2008).

The following are improvements on contract procedures are also believed to reduce the impact of price fluctuation on construction contractors, especially the increase in prices.

Maintaining current information: update control information continually with current prices, indices, and trends. Payment: Contractors can suffer severely under inflation and high interest rates if payments are delayed. Therefore payments to be made to contractors must not take long time (Hatmanu, et.al, 2020). Innovative contracting: use contracting procedures that shorten the overall design award construction time.

Subdivide contracts: by subdividing a large risky venture into several smaller ones at prices more manageable and foreseeable, the total risk will be reduced.

2.6. Empirical Studies

Many researchers had studied the challenges which cause contracting business failure. Osama (1997) presented a study of the factors that contribute to the failure of construction contractors in Saudi Arabia and found that the most important factors are: difficulty in acquiring work, bad judgment, and lack of experience in the firm's line of work, difficulty with cash flow, lack of managerial experience, and low profit margins (Osama, 1997). In addition, Bader (2004) and Ibrahim Mahamid (2011) also presented the causes of contractor's failure in Saudi Arabia, and in Palestine respectively and the main causes were grouped into the following categories: (Bader, 2004 &Mahamid, 2011).

Managerial causes: The more important causes that have a strong influence on contractor's failures were: Lack of experience, replacement key personnel, not assigning project leader in the site, labor productivity and improvement, bad decisions in regulating company policy, none use of project management techniques, inefficient company organization, bad procurement practices, excessive claims, internal company problems, recruitment from one country, recruitment from many countries, owner's absence from the company, frauds, neglect, lack of experience in contracts, competent consultation, and control systems.

Financial causes: The financial stand of the contractor is very important for running the business. Work improvement sometimes needs money because improvement needs buying new equipment

or developing new techniques. All the important managerial causes would not keep the contractor save without good financial stand. The financial causes were related to: Low profit margin due to competition, cash flow mismanagement, bill and collecting effectively, poor estimation practices, evaluate project profit in one fiscal year, employee benefits and compensations, controlling equipment cost and usage, fluctuation in construction material cost,.

External Causes: The external causes were related to: national slump in the economy, construction industry regulation, owner involvement in construction phase, bad weather, natural disaster, banks policy, project environment, politics, and limitation on importing.

2.7. Research Gap

The foregoing literature review has demonstrated that the cause of liquidation construction contractors in many countries faces many challenges which need to be addressed in order for them to attain sustainable growth. However most of the previous studies do not demonstrate how the problem can be solved effectively. Also various studies have largely identified several challenges that may be categorized as: managerial and financial failures in the construction industry elsewhere. However in the case of Addis Ababa no coverage of this problem was found in the literature reviewed. Although observations and conclusions made from studying construction industries of the other countries might find some reference in the construction industry in Ethiopia, every country has unique challenges from political, social, and economic environment. Therefore, this study attempts to fill this gap by assessing and ranking the causes, and developing a strategy to mitigate the cause of liquidation in Construction Company the case of Addis Ababa.

2.8. Summary of literature review

The conceptual framework for this study was developed based on the literature reviewed on the cause of liquidation Construction Company.

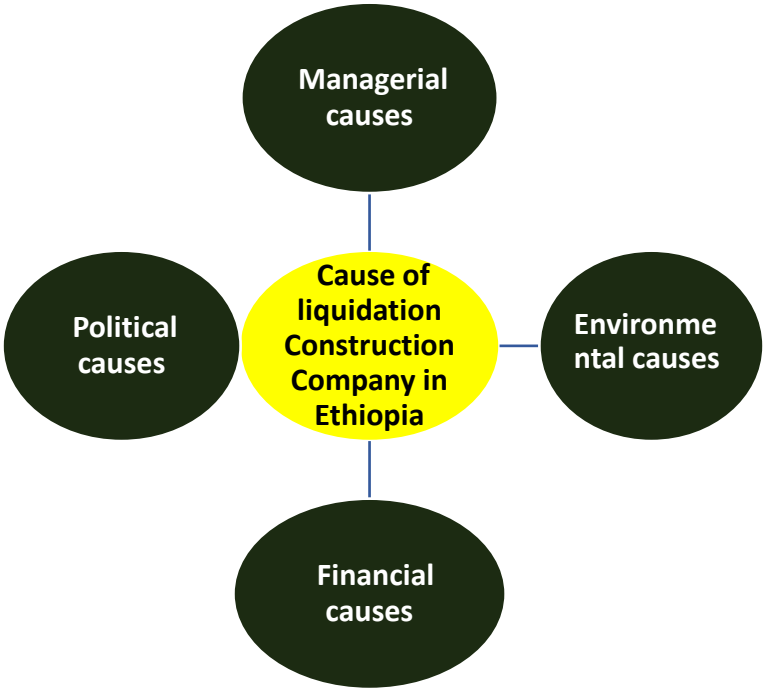

Figure 2.1 Conceptual field work of the study

Source: Developed by the Researcher based on the literature

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Research Design

The main focus of the research design is the way the research objectives could be achieved through realistic methodology, data collection, data analysis, and conclusion that determine the finding of the study. Moreover, it is used as a tool to make the research problem that becomes researchable and to develop answers to the research queries. Richard Fellows & Anita Liu (2008) also states that research design is a strategy that governs the researcher in the period of collecting analyzing and interpreting observations. It is a logical framework of proof that makes the investigator to draw inference concerning causal relations among the variables under investigation. Furthermore, (Kumar, 2005) defined a research design as a procedural plan that is employed by the investigator to solve questions objectively, accurately, validly, reliably and economically.

3.2. Data types

In the present study both qualitative and quantitative data were employed. The qualitative data included an interview. The quantitative data included close and open-ended questionnaires.

3.3. Sources of Data

In this study both primary and secondary data sources were used. The secondary data was collected via detailed review of literature i.e. books, articles, journals and many other relevant written publications. The primary data was collected through questionnaire, and interview.

3.4. Sampling Design

3.4.1. Sampling technique

Stratified random sampling ensures inclusion, in the sample, of sub groups, which otherwise was omitted entirely by other sampling methods because of their small number of populations.

3.4.2. Sample population

Mugenda, (2003) suggests that for descriptive studies at least 1784 of the total population is enough. the total population of my respondent from MoUD data is greater than 1500 contractors.

3.5. Sample size

Sample would be representative because based on the sample generalization is given for the entire population. The sample size would determine by using statistical formula. Hence, the researcher would be used formula set by Kothari (2004). The sample size would be determined by considering the level of acceptable margins of error 5%.In order to get a reasonable sample size, 95% level of confidence was used to select sample size. Hence the required sample size would be determined by using the formula if N is finite then the sample size .

The sample size was determined using the Kothari formula (2004)

(Equation 1) n, n= n

1+n N but to get n, $n = \frac{z2pq}{E2}$

Where ;

$= (1.96)^2 * 0.5 * 0.5/(0.5)^2 = 384$

n =Desired sample size factor

N = the size of the population (1784)

Z = Standard normal variable at 95% required confidence level=1.96

P =Estimated characteristics of target population

E = the margin error (5%)

Therefore:-

$$n = \frac{n}{1+N(E)x^2}$$

$N=\frac{384}{1+1784(0.05)x^2}$

.

So, 70 respondents will be used as a sample size.

The study applied a stratified random sampling technique to select a sample size of 70 have been selected i.e. since the population are very large Kothari (2004) formula was used to get sample size. Out of this, 70 respondents was used for questionnaire and non-probability sampling technique particularly by using purposive 10 respondents was used for an interview.

3.6. Methods of Data Collection

3.6.1. Questionnaire

A questionnaire survey is one of the cheap and appropriate data collection instruments. The questionnaire for the survey was developed by established the questions from previous literature conducted regarding contractor firm's competitiveness. The design of a questionnaire is influenced by how it was administered and in particular, the amount and nature of contact with respondents. The internal validity and reliability of the data to be collected and response rate to be achieved greatly depends on the design of the questionnaire. In this study questionnaire was one of the data collection tools to collect data from respondents. Questions were prepared ahead of time and distributed to respondents. Some of the basic questions presented to the respondents includes contractors and key person. Then, the questionnaires were distributed to hade office of the companies , office of experts and returned back.

3.6.2. Interview

Interview was carried out as instrument of data collection to gather data on the topic of the study. Creswell (2009) Suggested that interview is used to elicit views and opinions from the participants in detail. Therefore, 10 construction experts are selected by purposively for an interview.

3.7. Methods of Data Analysis

Qualitative data was analyzed descriptively; hence the descriptive method of analysis is best suited for the analysis. Such method was applied for the presentation, interpretation and discussion parts on various dimensions of the appropriate to analyze, interpret, tabulate and present the result of the study. The data gathered through questionnaires were coded, entered into computer and analyzed and presented in the form of charts, diagrams, and tables by using SPSS software version 25. The results of the interview questions were integrated with questionnaires and will be analyzed accordingly for triangulation. Finally, the data collected was analyzed by using tools like Tables, graphs, and charts.

3.8. Reliability and Validity of the Research

3.8.1. Reliability Analysis

Reliability in research is defined by Mugenda (2003) are a measure of the degree to which a research instrument yields consistent results of data after repeated trials. The accuracy and precision of the attitudinal response of data set collected by a 5 scale measures in this study was tested. Since reliability indicates the consistency of the instrument, the constructs were examined in terms of reliability. Cronbach's alpha was then used to do the reliability analysis and it will be greater than 0.70, consistent with the recommended minimum acceptance level of 'alpha' value (Field, 2009). The reliability of each constructs and the overall reliability will be indicated.

3.8.2. Validity Analysis

Validity is accuracy and meaningfulness of inferences, which are based on the research results. It is the degree to which results obtained from the analysis of the data actually represent the phenomena under study (Mugenda 2003). For this study, a pilot survey was conducted with a sample of 5 of randomly selected contractors' questionnaire. Based on the comments given by the respondents, some amendments were considered.

3.9. Ethical Consideration

According to Saunders et al., (2009,p.184) -Research ethics therefore relates to questions about how we formulate and clarify our research topic, design our research and gain access, collect data, process and store our data, analyze data and write up our research findings in a moral and responsible way. An attempt was made to ensure all respondents to keep their identity and responses as confidential; so that all the information was given in full confidence. The questionnaire was distributed based on willingness of each respondent. In addition, the purpose of the questionnaire was clearly indicated in a cover letter along with the questionnaire.

CHAPTER FOUR: RESULTS AND DISCUSSION

4. Results and discussion

4.1. Socioeconomic description and response rate of respondents

4.1.1. Socioeconomic description

4.1.1.1. General Information

The study was conducted by using client, consultant and contractors. The general information about the respondents was presented in Table 4.2 below by using descriptive statistics as frequency, percentages and graphs. The general information assessed about the respondents includes gender, sex, education and working experience.

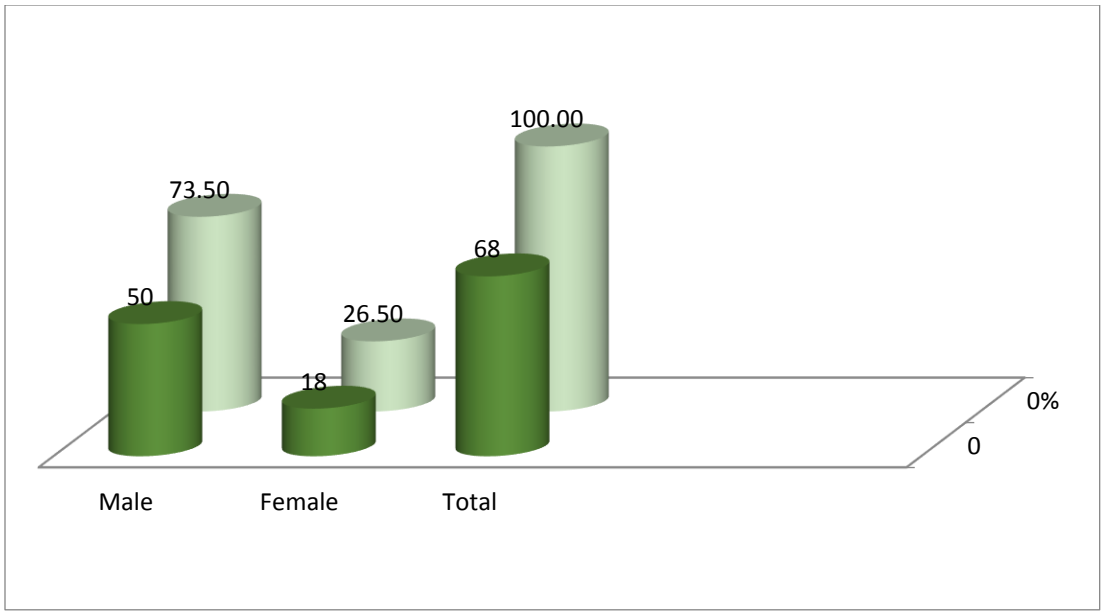

Figure 4.1. Sex of Respondents

As it can be seen from the figure 4.1 above, 50(73.50%) of the respondents were males while 18(26.50%) of the respondents were females. This implies that majority of the respondents were males.

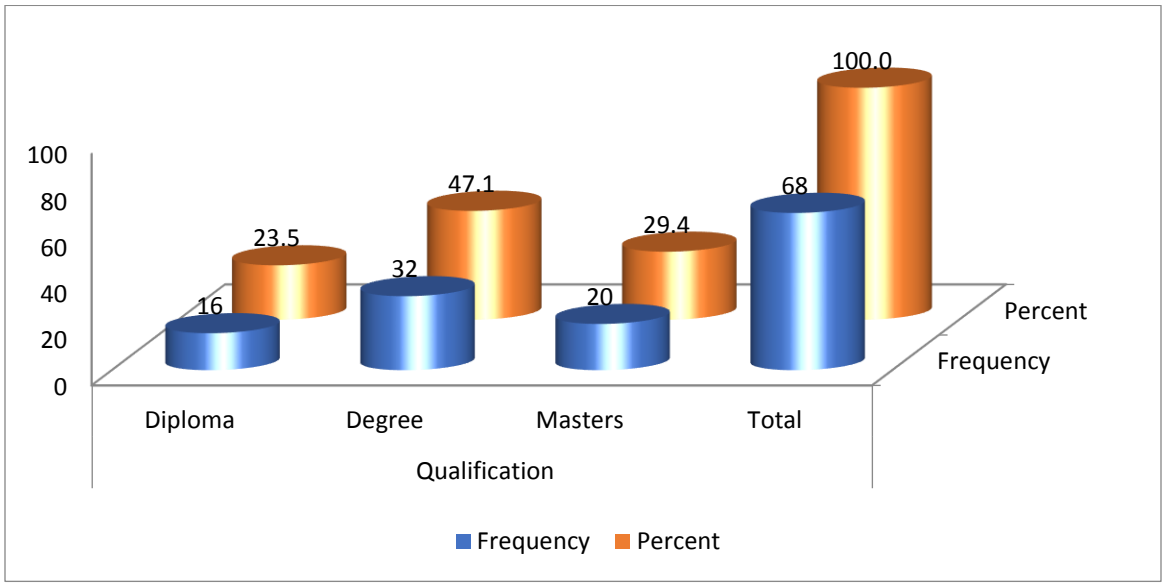

Figure 4.2. Educational Background

As it can be seen from the figure 4.2 above, 32(42.1%) of the respondents were degree holders, 20(29.4%) of the respondents were masters degree holders while 16(23.5%) of the respondents were diploma holders respectively.

MOLSA (1993) indicated that, education positively shape attitude of individuals create awareness in various aspects of life and increase the reliance on scientific explanations. Therefore, or educated people analyze issue in more comprehensive way than uneducated or less educated.

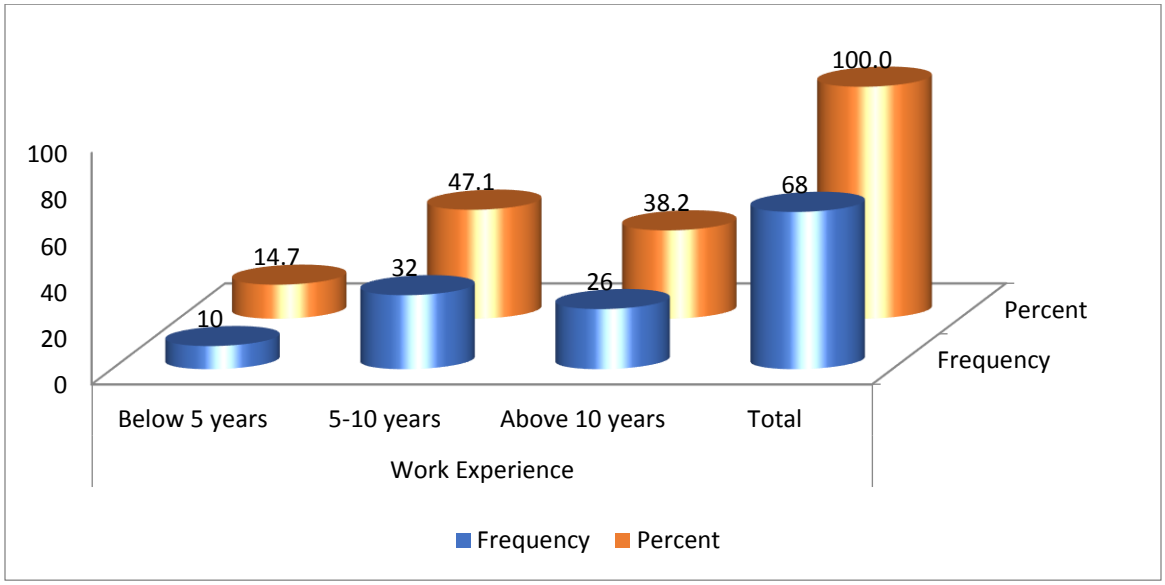

Figure 4.3. Work Experience

According to Figure 4.2 regarding to work experience of respondents 32(47.1%) of the respondents were between 5-10 years old, 26(38.2%) of the respondents were above 10 years while 10(14.7%) of the respondents were below 5 years old respectively. This means that majority of the respondents were between 5-10 years old.

4.1.1.2. Response rate

The questionnaire was sent out to a total of 70 contractor companies asking their contribution in ranking the identified 56 causes in terms of severity using an ordinal scale. Given the nature of ordinal scales, the numbers assigned to degree of influence (i.e. 1, 2, 3, 4 and 5). They are merely numerical labels. The ordinal scale that was used are 1 = strongly disagree, 2 = disagree, 3 = Neutral, 4 = Agree, and 5 = Strongly Agree. Only a total of 70 completed questionnaires were returned representing a high response rate of 98.2%.

This study was mainly conducted to assess the cause of liquidation in Construction Company in

Ethiopia: The case of Addis Ababa. To meet this general objective the study has collected the study data from grade one, two, and three contractors it includes General contractor, Road contractor and Building contactors by using questionnaire. Based on the sampling strategy followed, the study has distributed total of 70 questionnaires; to General contractor, Road contractor and Building contactors; 24 each. But 68 (98.4%) of the questionnaires were returned 24 (100%) questionnaires from General contractor, 22 (91.6%) questionnaires from Road contractor and 24 (91.6%) questionnaires from Building contactors. This chapter of the study presents result of the data analysis and discussion on the results.

Table 4.2. Summary of Overall Response Survey

Type	Distributed Questionnaire				Returned questionnaire				Returned percentage
	G1	G2	G3		G1	G2	G3		
General contractor	7	7	8	22	7	7	8	22	100
Road contractor	8	8	8	24	8	8	8	24	100
Building contactors	8	8	8	24	8	8	6	22	91.6
Total				70				68	98.2

G Mains grad

4.2. Causes of liquidation Construction Company

According to the data collected through interview and questioners, resales corresponding to the causes of liquidation of construction companies are presented in the following section

A. Financial cause

Table 4.3: cause Related Financial Construction liquidation

	Financial cause	Degree of Agreement/Disagreement											
		SDA		DA		NE		A		SA		Total	
		F	%	F	%	F	%	F	%	F	%	F	%
1	Dependence on bank loans and paying high interest					5	7.3	45	66.17	10	14,7	68	100
2	Cash flow mis-management			10	14.7			8	11.76	50	73.52	68	100
3	Lack of capital					8	11.7	55	80.88	5	7.3	68	100

4	Low margin of profit due to competition					13	19.11	20	29.41	35	51.47	68	100
5	The increase in capital expenditures					12	17.64	38	55.8	18	26.47	68	100
6	Bill and collecting effectively			8	11.8			12	17.64	48	70.58	68	100
7	Difference of local currency exchange with contract currency					6	8.82	8	11.7	54	79.41	68	100
8	Evaluation of profit yearly					8	11.7	44	64.7	16	23.52	68	100
9	Material wastages			13	19.1	8	11.7	47		69.11		68	100
10	Controlling equipment cost and usage					18	26.47	22	32.35	28	41.17	68	100
11	Dealing with variation order			14	20.6			36	52.94	18	26.47	68	100
12	Employee benefits and compensation			13	19.1			22	32.35	33	48.52	68	100

SDA means strongly disagree, A means Agree ,NE means neutral SA strongly agree, D disagree don't agree.

According to Table 4.3 those respondents who replied that one of the case of liquidation of construction company is Dependence on bank loans and paying high interest rate were 45(66.17%) of the respondents said Agree, 10(14.7%) of the respondents said Strongly Agree while 5(7.3%) of the respondents said Neutral. This implies that majority of the respondents accepted the dependence on bank loans and paying high interest as a financial factor. Likely, for the question Cash flow mismanagement 50(73.5%) of the respondents said Strongly Agree, 10(14.7%) of the respondents said Disagree while 8(11.76%) of the respondents said Agree respectively. This shows that Cash flow mismanagement was one the biggest financial factor since almost all of the respondents strongly agreed.

For the question, Lack of capital 55(80.88%) of the respondents Agreed, 5(7.3%) of the respondents Strongly Agreed while 8(11.7%) of the respondents aid Neutral respectively. This means that lack of capital is one of the financial factors. In connection to this, for the question, Low margin of profit due to competition 35(51.47%) of the respondents said Agree, 20(29.41%) of the respondents said Neutral while 13(19.11%) of the respondents said Disagree respectively.

This indicates that low margin of profit due to competition is a financial factor in the company.

Concerning Estimating practices 55(80.88%) of the respondents said NE, 8(11.7%) of the respondents said Agree and Strongly Agree respectively. This means that estimating practices are not a serious problem in the company. Similarly, for the question' The increase in capital expenditures'38(55.8%) of the said Agree, 18(26.47%) of the respondents said Strongly Agree while 12(17.64%) of the respondents said Neural respectively. This implies that the increase in financial expenditure is one of the financial factors in the company.

Regarding the question Bill and collecting effectively, 48(70.58%) of the respondents said Strongly Agree, 12(17.61%) of the respondents said Agree while 8(11.7%) of the respondents said Disagree respectively. This indicates that bill and collection mechanism can be a factor in the company. Similarly, for the question Difference of local currency exchange with contract currency 54(79.41%) of the respondents said Strongly Agree, 8(11.7) of the respondents said Agree while 6(8.82%) of the respondents said NE respectively. This means that difference of local currency exchange with contract currency is a serious factor in the company.

Regarding to the question Evaluation of profit yearly 44(64.7%) of the respondents said Agree, 16(23.52%) of the respondents said Strongly Agree while 8(11.7%) of the respondents said NE respectively. This implies that evaluation of profit yearly is very important in financial system. Likely, for the question Material wastages 47(69.11%) of the respondents said Agree, 8(11.7%) of the respondents said NE while 13(19.11%) of the respondents said Disagree respectively. This means that Material wastages is considered as a big financial factor. Concerning controlling equipment cost and usage 28(41.17%) of the respondents said Strongly Agree, 22(32.35%) of the respondents said Agree while 18(26.47%) of the respondents said Neutral respectively. This implies controlling equipment cost and usage is a financial factor in the construction company.

Lastly, for the question Dealing with variation order 36(52.94%) of the respondents said Agree, 18(26.47%) of the respondents said Strongly Agree while 14(20.58%) of the respondents said Disagree respectively. This shows that Dealing with variation order is a financial factor in the construction company. Regarding the question, Employee benefits and compensation 33(48.52%) of the respondents said Strongly Agree, 22(32.32%) of the respondents said Agree while 13(19.11%) of the respondents said Disagree respectively. This indicates that employee benefits and compensation are financial factors in the construction company.

The data obtained from an interview supported this view in that:

To assess the perceptions of all parties regarding the financial challenges causing liquidation of contractors firms during execution of their construction contracts, the following financial causes were adopted from literature and respondents: Award contracts to lower price, cash flow mismanagement, depending on bank loans and paying high interest, employee benefits and compensation, excessive wastage or theft of materials, inefficient deployment of resources, lack of capital, lack of controlling equipment cost and usage, and low margin profit due to competition.

B. Managerial cause

Table 4.4. Managerial cause

	Managerial cause	Degree of Agreement/Disagreement											
		1		2		3		4		5		Total	
		F	%	F	%	F	%	F	%	F	%	F	%
1	Lack of experience in the line of work					8	12	20	30	40	58	68	100
2	Lack of experience in contracts			8	12	30	44	30	44			68	100
3	Bad decisions in formulating company policy					20	30	23	33	25	37	68	100
4	Neglect			30	44	35	51	3	4			68	100
5	Adopting unsuitable procurement practices					8	17	45	66	15	22	68	100

6	Lack of control system					8	11	8	11	52	76	68	100
7	Lack of labor productivity and improvement					6	8	44	64	18	24	68	100
8	Replace key successful personnel					45	66	15	22	8	11	68	100
9	Owner absence from the company	12	17	38	55	18	26					68	100
10	Lack of commitment					8	11	15	22	45	66	68	100
11	Centralized decision making					3	4	55	80	10	14	68	100
12	Inflation					14	20	46	68	8	12	68	100
13	Company structure					16	23	34	50	18	27	68	100
14	Lack of using project management techniques					8	11	12	18	48	70	68	100
15	Assigning unqualified site engineer			11	16			47	69	10	15	68	100
16	Internal company problems due to bad organization					8	11	8	11	52	78	68	100
17	Lack of using qualified consultant					12	17	10	14	46	68	68	100
18	Lack of adjusting to changes					19	25	41	63	8	12	68	100
19	Lack of using efficient documentation system					13	20	40	58	15	22	68	100
20	Frauds					20	30	48	70			68	100

21	Lack of communication system					11	17	49	72	8	11	68	100
22	Lack of using computers applications			8	11			14	20	46	68	68 68	100
23	Claims by contractors					18	27	35	51	15	23	68	100
24	contract management problem					18	27	50	73			68	100

SDA means strongly disagree, A means Agree, NE means neutral SA strongly agree, D disagree don't agree.

As it can be seen from the table above, for the question Lack of experience in the line of work 40(58%) of the respondents said strongly agree, 20(30%) of the respondents said agree while 8 (12%) of the respondents said neutral respectively. Likely, for the question Lack of experience in contracts 30(44%) of the respondents said agree, 30(44%) of the respondents said neutral while 8(12%) of the respondents said disagree. This indicates that there is lack of experience in contracts in Construction Company in Addis Ababa.

Concerning the question Bad decisions in formulating company policy 25(37%) of the respondents said strongly agree, 23(33%) of the respondents said agree while 20(30%) of the respondents said neutral respectively. This implies that there is a bad decision in formulating policy in Construction Company in Addis Ababa.

Regarding the question Neglect 35(51%) of the respondents said neutral, 30(44%) of the respondents disagree while 3(4%) of the respondents said agree. This indicates that there is almost no neglect in Construction Company in Addis Ababa. Similarly, for the question adopting unsuitable procurement practices 45(66%) of the respondents said agree, 15(22%) of the respondents said strongly agree while 8(11.7%) of the respondents said neutral respectively. This implies that there is a problem of adopting unsuitable procurement practices in the Construction Company in Addis Ababa. For the question Lack of control system 52(76%) of the respondents said strongly agree, 8(11.7%) of the respondents said strongly agree and agree respectively. This implies that there is Lack of control system in the Construction Company in Addis Ababa.

Concerning the question Lack of labor productivity and improvement 44 (64%) of the respondents said agree, 18(24%) of the respondents said strongly agree while 6(8%) of the respondents said neutral respectively. This means that there is Lack of labor productivity and improvement in the Construction Company in Addis Ababa. For the question replace key successful personnel 45 (66%) of the respondents said neutral, 15 (22%) of the respondents said agree while 8(11%) of the respondents said strongly agree. This indicates that there is problem of replace key successful personnel in the Construction Company in Addis Ababa.

For the question Owner absence from the company 38 (55%) of the respondents said disagree, 18(26%) of the respondents said neutral while 12(17%) of the respondents said strongly disagree respectively. This indicates that absence of the owner from the company is not the problem in the Construction Company in Addis Ababa. Likely, for the question Lack of commitment 45 (66%) of the respondents said strongly agree, 15(22%) of the respondents said agree while 8 (11%) of the respondents said neutral respectively. This shows that there is lack of commitment in the Construction Company in Addis Ababa. For the question centralized decision making 55(80%) of the respondents said agree, 10(14%) of the respondents' said strongly agree while 3 (4%) of the respondents said neutral. This implies that there is a problem of centralized decision making in the Construction Company in Addis Ababa. Lastly, for the question Inflation 46 (68%) of the respondents said agree, 14 (20%) of the respondents said neutral while 8 (12%) of the respondents said strongly agree. This indicates that there is a problem of inflation in the Construction Company in Addis Ababa. As it can be seen from the table above, for the question Company structure 43(50%) of the respondents said agree 18(27%) of the respondents said strongly agree while 16(23%) of the respondents said neutral respectively. For the question Lack of using project management techniques 48(70%) of the respondents said strongly agree,12(81%) of the respondents said agree while 8(11%) of the respondents said neutral respectively. This implies that there is lack of using project management techniques in the Construction Company in Addis Ababa.

Regarding to the question Assigning unqualified site engineer 47(69%) of th e respondents said agree, 11(16%) of the respondents said strongly agree while 10(15%) of the respondents said strongly agree. This indicates that there is problem of assigning unqualified site engineer techniques in the Construction Company in Addis Ababa. For the question Internal company

problems due to bad organization 52(78%) of the respondents said strongly agree while 8(11%) of the respondents said agree and neutral respectively. This shows that there are internal company problems due to bad organization techniques in the Construction Company in Addis Ababa.

For the question Lack of using qualified consultant 46(68%) of the respondents said strongly agree, 12(17%) of the respondents said neutral while 10(14%) of the respondents said agree respectively. This indicates that there is lack of using qualified consultant in the Construction Company in Addis Ababa. For the question Lack of adjusting to changes 41(63%) of the respondents said agree, 19(25%) of the respondents said neutral while 8(12%) of the respondents said strongly agree. This implies that there is lack of adjusting to changes of adjusting to changes in the Construction Company in Addis Ababa.

For the question Lack of using efficient documentation system 40(58%) of the respondents said agree, 15(22%) of the respondents said strongly agree while 13(20%) of the respondents said neutral. This indicates that there is lack of using efficient documentation system in the Construction Company in Addis Ababa. Concerning the question frauds 48(70%) of the respondents said agree while 20(30%) of the respondents neutral. This means a there is a problem of frauds in the Construction Company in Addis Ababa.

Regarding to the question Lack of communication system 49(72%) of the respondents said 11(17%) of the respondents said neutral while 8(11%) of the respondents said strongly agree. This indicates that there is lack of communication system in the Construction Company in Addis Ababa.

For the question Lack of using computers applications 46(68%) of the respondents said strongly agree, 14(20%) of the respondents said agree while 8 (11%) of the respondents said disagree respectively. This implies that there is lack of using computers applications in the Construction Company in Addis Ababa.

For the question Claims by contractors 35(51%) of the respondents said agree, 18(27%) of the respondents said disagree while 15(23%) of the respondents said strongly agree. This implies that there are claims by contractors in the Construction Company in Addis Ababa. Likely, for the question contract management problem 50(73%) of the respondents said agree while 18 (27%) of the respondents said neutral. This indicates that there is contract management problem in the Construction Company in Addis Ababa.

The data obtained from an interview supported this view in that:

Lack of control system, was ranked as the first cause by contractors, and contract management problem and improvement was ranked by all parties as the last managerial cause.

To assess the perceptions of all parties about the managerial challenges that cause the failure of contractors firms during the execution of construction contracts, the following managerial causes were obtained from the literature reviewed: adopting unsuitable procurement practices, assigning unqualified personnel, bad decisions in formulating company policy, company organization, lack of experience in contracts, lack of labor productivity and improvement, Company structure, lack of using project management techniques, and poor accounting and control systems. In the data collection, it was these factors that the respondents were questioned about.

C. Business Growth cause

Table 4.5. Business Growth cause

N0		Degree of Agreement/Disagreement											
	Business Growth cause	1		2		3		4		5		Total	
		F	%	F	%	F	%	F	%	F	%	F	%
1	Lack of managerial development as the company grows			8	11.8			42	61.8	18	26.5	68	100
2	Increase size of projects					5	7	10	13	53	77	68	100

3	Change in the type of work					16	23	44	63	8	11	68	100
4	Increase number of projects			6	8			52	76	10	15	68	100
5	Change work from private to public or vice versa	35	51	8	11	25	36					68	100
6	Opening a regional office in other governorates							48	70	20	30	68	100

Regarding to the question Lack of managerial development as the company grows 42(61.76%) of the respondents said agree, 18(26%) of the respondents said strongly agree while 8(11%) of the respondents said disagree. This shows that there is lack of managerial development as the company in the Construction Company in Addis Ababa. For the question this Increase size of projects 53%) of the respondents said strongly agree, 10(13%) of the respondents said neutral while 5 (7%) of the respondents said agree. This indicates that there is an Increase size of projects in the Construction Company in Addis Ababa.

For the question Change in the type of work 44(63%) of the respondents said agree, 16(23%) of the respondents said neutral while 8 8(11%) of the respondents said strongly agree. This shows that there is change in the type of work in the Construction Company in Addis Ababa. For the question Change work from private to public or vice versa. For the question Change work from private to public or vice versa 35(51%) of the respondents said strongly disagree, 25(36%) of the respondents said neutral while 8 8(11%) of the respondents said disagree. This shows that there are changes of work from private to public or vice versa in the Construction Company in Addis Ababa. Lastly, for the question opening a regional office in other governorates 48(70%) of the respondents said agree, while 20(30%) of the respondents said strongly agree. This shows that there is opening a regional office in other governorates in the Construction Company in Addis Ababa.

The data obtained from an interview supported this view in that:

Large construction types with less experience was ranked as the first cause by consultancy and

client parties, but on second place by contractor party, lack of managerial maturity as the company grow was ranked by client and contractor parties as the first cause, and second by consultancy party, increased size of projects was ranked as the third causes by consultancy and clients, and as fourth cause by contractor. Finally, expanding into new geographic locations was ranked as the last cause by all parties.

D. Business Environment cause

Table 4.6. Business Environment causes

N0	Business Environment Cause	Degree of Agreement/Disagreement											
		1		2		3		4		5		Total	
		Fr	%	Fr	%	Fr	%	Fr	%	fr	%	%	Fr
1	Absence of construction regulations					8	11	15	22	45	67	68	100
2	Award contracts to the lowest price			52	78	8	11	8	11			68	100
3	National slump in economy					8	11	48	70	12	19	68	100

4	Absence of specialized courts			18	26			25	36	35	51	68	100
5	Owner involvement in construction phase			14	22			46	67	8	11	68	100
6	Accounting and tax practices					18	26	11	16	39	58	68	100
7	Insufficient award of contracts			46	67.7	10	15	12	17.6			98	100

SDA means strongly disagree, A means Agree ,NE means neutral SA strongly agree, D disagree don't agree.

For the question Absence of construction regulations 45(67%) of the respondents said strongly agree, 15(22%) of the respondents said agree while 8 8(11%) of the respondents said neutral. This shows that there is absence of construction regulations in the Construction Company in Addis Ababa. For the question Award contracts to the lowest price 52(78%) of the respondents said strongly disagree, 8(11%) of the respondents said neutral while 8 8(11%) of the respondents said agree. This indicates that there are Award contracts to the lowest price in the Construction Company in Addis Ababa. For the question National slump in economy 48(70%) of the respondents said agree, while 13(19%) of the respondents said strongly agree while 8(11%) of the respondents said neutral. This shows that there is a problem of National slump in economy in the Construction Company in Addis Ababa.

Regarding to the question Absence of specialized courts 35(51%) of the respondents said agree, 25(36%) of the respondents said strongly agree while 18(26%) of the respondents said disagree. This shows that there is a problem of absence of specialized courts in the Construction Company in Addis Ababa. For the question Owner involvement in construction phase 46(67%) of the respondents said agree, 14(22%) of the respondents said disagree while 8(11%) of the respondents said strongly agree. This indicates that there is a problem of Owner involvement in construction phase in the Construction Company in Addis Ababa.

For the question Accounting and tax practices, 39(58%) of the respondents said agree, while 18(26%) of the respondents said strongly agree while 8(11%) of the respondents said strongly agree. This shows that there is a problem of Accounting and tax practices in the Construction Company in Addis Ababa. This shows that Insufficient award of contracts 46(67.67%) of the respondents said disagree, 12(17.64%) of the respondents agree while 8(14.7%) of the respondents said neutral. This shows that there is no problem of insufficient award of contracts in the Construction Company in Addis Ababa.

E. Political Cause

Table 4.7. Political cause

N0		Degree of Agreement/Disagreement					
	Political cause	1	2	3	4	5	Total

		F	%	F	%	F	%	F	%	F	%	F	%
1	Delay in collecting debt from client					8	11	47	69	13	19	68	100
2	Border closure in region by police			5	7			10	14	53	77	68	100
3	Segmentation					5	7	54	79	9	13	68	100
4	High cost of materials					9	13	11	16	48	70	68	100
5	Lack of resources			18	26			35	51	15	22	68	100
6	Limitations on material import					22	32	33	48	13	19	68	100
7	Monopoly					10	14	48	70	10	14	68	100
8	Banks policy					13	19	28	41	27	39	68	100
9	Difficulties in dealing with suppliers and traders			8	11			47	69	13	19	68	100
10	Racism					6	8	52	76	10	14	68	100

According to table 4.7 for the question Delay in collecting debt from client 47(69.11%) of the respondents said agree, 13(19.11%) of the respondents said strongly agree while 8(11.76%) of the respondents said disagree respectively. For the question Border closure in region by police 53(78%) of the respondents said strongly agree, 10(14%)of the respondents said agree while 5 (8%)of the respondents said neutral respectively. This implies that there is a problem of Border closure in region by police in the Construction Company in Addis Ababa.

Regarding to the question Segmentation 54(79%) of the respondents said agree, 9(13%) of the respondents said strongly agree while 5(7%) of the respondents said disagree. This shows that there is lack of segmentation in the Construction Company in Addis Ababa. For the question High cost of materials 48(70%) of the respondents said strongly agree, 11(16%) of the respondents said agree while 9 (13%) of the respondents said neutral. This indicates that there is a problem of high cost of materials in the Construction Company in Addis Ababa.

For the question Lack of resources 35(51%) of the respondents said agree, 18(26%) of the respondents said strongly agree while 15(22%) of the respondents said disagree. This shows that there is a problem of Lack of resources in the Construction Company in Addis Ababa. For the question Limitations on material import 33(48%) of the respondents said agree, 22(32%) of the respondents said neutral while 13(19%) of the respondents said disagree. This shows that there are Limitations on material import in the Construction Company in Addis Ababa. For the question Monopoly 48(70%) of the respondents said agree, while 10(14%) of the respondents said strongly agree and neutral respectively. This shows that there is a problem of monopoly in the Construction Company in Addis Ababa.

Concerning Banks policy 28(41%) of the respondents said agree, while 27(39%) of the respondents said strongly agree while 22(32%) of the respondents said neutral. This shows that there is a problem of Banks policy in the Construction Company in Addis Ababa.

Regarding to the question Difficulties in dealing with suppliers and traders 47(69%) of the respondents said agree, 13(19%) of the respondents said neutral while 8(11%) of the respondents said strongly agree. This shows that there are a problem of difficulties in dealing with suppliers and traders in the Construction Company in Addis Ababa. For the question Racism 52(76%) of the respondents said agree, 10(14%) of the respondents said strongly agree while 6(8%) of the respondents said neutral. This indicates that there is a problem of Racism in the Construction Company in Addis Ababa.

Regarding to the triangulation of construction building, road construction and business construction the data obtained from an interview supported this view in that:

The need to build constructed items in the locations where they are required poses managerial issues relating to logistics, the influence of local legal, regulatory and cultural issues, and technical considerations concerning the need to design for, and operate in unfamiliar physical environments. These are usually considered to be problems inherent in construction. However, for developing countries especially in Ethiopia particularly, in Addis Ababa. The location specificity offers many developmental opportunities. First, that built items cannot be imported offers opportunity for local participation in all types and sizes of projects. The limits are imposed by technology and business considerations. Second, as work can take place in all parts of the country, there is a potential for job creation for firms and individuals in construction and allied industries, as well as ordinary

citizens, especially given the labour-intensive characteristic of construction activity. This also enables new technology to be diffused to all parts of the country. Third, the foreign firms which may be involved in a construction project must "act local," and consider the legal, cultural and resource context of the site. There is potential for technological and knowledge flows, as the foreign firms seek to reduce their transaction costs by engaging local business partners and employees, and these local companies and individuals gain from the transfer of technology and enhancement of skills. Fourth, the activities on the projects, and the completed projects, can have a direct impact on the economy. The extent of leakages from the national economy can be limited through conscious policies. Fifth, the way in which construction work is procured as discrete, limited, and packaged projects, each of which is unique, is viewed as leading to short-term considerations among firms and practitioners in the industry. This hinders investment in technology (such as acquisition of equipment, and research and development), in training, and in other forms of corporate development. The procurement arrangement for the project can take various forms. It typically involves several organizations participating in the project at different stages. This fragmentation is considered to militate against productivity and innovation, and to adversely affect project and team performance, because it is difficult to integrate the contribution of the participants. However, in developing countries, the temporary organizations which are formed to undertake construction projects enable different organizations in all parts of the country to participate in projects. Finally, construction activity and constructed items can have an impact on public health and safety. This makes it necessary for the regulation and control to be effected. This also is seen as an inhibitor of technology development and innovation in construction (Nam and Tatum, 1988). In the developing countries, most of the statutes and codes date from the colonial era, and many are quite inappropriate to the physical, administrative and technological contexts of the countries. In particular, they are adjudged to be hindering the usage of appropriate materials and technologies. In most developing countries, there is a gap between legislation and implementation owing to institutional weaknesses, and it is important to find ways and means of bridging this gap. However, in developing countries, the need for regulation and control again offers an opportunity as it enables the government to take charge of the industry, set standards, and take action to facilitate the realisation of what must be done if the industry is to be able to attain the stated requirements. In some countries, the regulation has extended beyond technical

requirements. For example, Tanzania's Public Procurement Act 2004 (Government of the United Republic of Tanzania, 2005) seeks to establish good governance on public projects. While the trend towards deregulation and policy liberalization everywhere is welcome, many aspects of construction must remain under governments for public health and safety reasons.

4.3. Evaluate of the cause of liquidation Construction companies

A. Financial

Table 4.8: Cause Related Financial Construction Liquidation Rank

	Financial Cause	Degree of Agreement/Disagreement							
		1	2	3	4	5	total	Mean	Rank
1	Lack of capital			2	8	52	62	4.81	1
2	Cash flow mis-management			6	8	54	68	4.71	2
3	Material wastages		8		12	48	68	4.47	3
4	Dealing with variation order			13	20	52	85	4.46	4
5	Low margin of profit due to competition		10		8	50	68	4.44	5
6	Controlling equipment cost and usage			18	22	28	68	4.15	6
7	Evaluation of profit yearly			8	44	16	68	4.12	7
8	Estimating practices			8	55	5	68	3.96	8
9	Difference of local currency exchange with contract currency		14		36	18	68	3.85	9
10	Dependence on bank loans and paying high interest	3	4	5	45	11	68	3.84	10
11	Bill and collecting effectively	6	3	8	47	4	68	3.59	11
12	Employee benefits and compensation	7	23	6	22	10	68	3.07	12
13	The increase in capital expenditures	38	3	12	0	15	68	2.28	13

B. Managerial

Table 4.9. Managerial cause rank

no	Managerial cause	Degree of Agreement/Disagreement						Mean	Rank
		1	2	3	4	5	Total		
1	Lack of control system			8	8	52	68	4.65	1
2	Internal company problems due to bad organization			8	8	52	68	4.65	2
3	Lack of using project management techniques			8	12	48	68	4.59	3
4	contract management problem			8	15	45	68	4.54	4
5	Lack of using qualified consultant			12	10	46	68	4.50	5
6	Lack of experience in the line of work			8	20	40	68	4.47	6
7	Lack of using computers applications		8		14	46	68	4.44	7
8	Lack of labor productivity and improvement			6	44	18	68	4.18	8
9	Adopting unsuitable procurement practices			8	45	15	68	4.10	9
10	Lack of using efficient documentation system			13	40	15	68	4.03	10
11	Company structure			16	34	18	68	4.03	11
12	Lack of communication system			11	49	8	68	3.96	12
13	Claims by contractors			18	35	15	68	3.96	13
14	Inflation			14	46	8	68	3.91	14

15	Lack of adjusting to changes			19	41	8	68	3.84	15
16	Replace key successful personnel		11		47	10	68	3.82	16
17	Lack of commitment			18	50		68	3.74	17
18	Centralized decision making			20	48		68	3.71	18
19	Lack of experience in contracts		8	30	30		68	3.32	19
20	Bad decisions in formulating company policy	20	2	10	13	23	68	3.25	20
21	Neglect		30	35	3		68	2.60	21
22	Assigning unqualified site engineer	42		3	15	8	68	2.22	22
23	Frauds	4	52	3	2	1	62	2.10	23
24	Owner absence from the company	12	38	18			68	2.09	24

Table 4.9 shows the mean value of and rank for each managerial cause in a descending order. The descriptive results indicate that Lack of control system and Internal company problems due to bad organization are the top two factors that may lead to company failure. These are closely followed by making Lack of using project management techniques , contract management problem, Lack of using qualified consultant, Lack of experience in the line of work, Lack of using computers applications the list of the most five important causes of company failure under this group of managerial cause . The analysis shows no statistically significant differences between the three classes of responding contractors towards this group of Cause. The lowest ranked managerial cause were Neglect, fraud, and Assigning unqualified site engineer.

C. Business Growth

Table 4.10. Business Growth cause rank

N0		Degree of Agreement/Disagreement							
	Business Growth cause	1	2	3	4	5	Total	mean	Rank
		F	F	F	F	F	F		
1	Increase size of projects			5	10	53	68	4.70	1
2	Increase number of projects				48	20	68	4.29	2
3	Lack of managerial development as the company grows		8		42	18	68	3.991	3
4	Change in the type of work		6		52	10	68	3.97	4
5	Change work from private to public or vice versa			16	44	8	68	2.9	5
6	Opening a regional office in other governorates	35	8	25			68	1.85	6

There are six factors under this group as outlined in Table 4.10. Increase size of projects and Increase number of projects were ranked first and second with mean values of 4.7 and 4.29, respectively. This is followed by change in type of work and Lack of managerial development as the company grows were ranked in the third and fourth position. Both, opening a regional office in other governorates and change work from private to public or vice versa were ranked at position 5 and 6 with mean values of 2.9 and 1.85, respectively (Table 4.10). The first factor is related to the capability of the company to adjust itself to industry growth. It is directly related to managerial development while company is going through a rapid phase of growth. There seems to be a wide agreement that one of the almost tedious repetitive mistakes that lead to business failure is the underestimation of project's costs and overestimation of revenues. Construction contractors must

avoid the increase of the number of projects that the company cannot afford both organizationally and financially

D. Business Environment

Table 4.11. Business Environment cause rank

N0	Business Environment Cause	Degree of Agreement/Disagreement							
		1	2	3	4	5	Total	Mean	rank
		Fr	Fr	Fr	Fr	fr			
1	National slump in economy	0	18		25	35	68	4.573529	1
2	Absence of construction regulations	0	0	8	15	45	68	4.544118	2
3	Accounting and tax practices	0		18	11	39	68	4.308824	3
4	Award contracts to the lowest price	0		8	48	12	68	4.058824	4
5	Owner involvement in construction phase	0	14		46	8	68	3.705882	5
6	Insufficient award of contracts	0	46	10	12		98	2.5	6
7	Absence of specialized courts	0	52	8	8		68	2.352941	7

There are 7 Causes listed under this group as shown in Table 4.11 The highest three business failure causes are award of contracts to the lowest price absence of construction regulations and Accounting and tax practices. Moreover, most of public as well as private clients continue to award contracts based on the lowest bid price. On the other hand, the lowest ranked three causes of failure are insufficient award of contracts, accounting and tax practices and owner involvement in construction phase.

E. Political

Table 4.12. Political cause Rank

N0		Degree of Agreement/Disagreement							
	Political cause	1	2	3	4	5	Total	mean	rank
		F	F	F	F	F			
1	Racism			6	10	52	68	4.81	1
2	Border closure in region by police		5		10	53	68	4.63	2
3	Monopoly			9	11	48	68	4.57	3
4	Banks policy			13	28	27	68	4.21	4
5	High cost of materials	6		10	48	10	68	4.08	5
6	Segmentation			5	54	9	68	4.05	6
7	Limitations on material import			22	33	13	68	3.86	7
8	Lack of resources		18		35	15	68	3.69	8
9	Difficulties in dealing with suppliers and traders	23	8		12	13	68	2.23	9

Table 4.12 illustrates the ranking of 9 causes under this group. Most factors have been ranked with high means. The top-ranked cause is Racism Border closure in region by police, High cost of materials of Addis Ababa. While the lowest three mean values are dealing with Lack of resources Difficulties in dealing with suppliers and Limitations on material import with mean values of 3.86, 2.69 and 2.23 respectively.

4.2.1. Overall cause Ranking

Table 4.13. Overall cause Rank

No	cause	Main group	Mean	Rank
1	Racism (ethnic based)	Political cause	4.812	1
2	Estimating practices	Financial Cause	4.81	2
3	Low margin of profit due to competition	Financial Cause	4.71	3
4	Increase size of projects	Business Growth cause	4.7	4
5	Internal company problems due to bad organization	Managerial cause	4.65	5
6	Lack of control system	Managerial cause	4.65	6
7	Border closure in region by police	Political cause	4.63	7
8	Lack of using project management techniques	Managerial cause	4.59	8
9	Award contracts to the lowest price	Business Environment Cause	4.57	9
10	High cost of materials	Political cause	4.57	10
11	Absence of construction regulations	Business Environment Cause	4.54	11
12	contract management problem	Managerial cause	4.54	12
13	Lack of using qualified consultant	Managerial cause	4.5	13

Table 4.13 outlines the ranking of the highest 13 causes causing company failure and their related groups. From Table 4.11, it can be observed that the five severe causes leading to contractor's business failure are Racism(ethnic based), increase size of projects, internal company problems due to bad organization, Lack of control system.

4.2.2. Ranking of Groups

Table 4.14. Ranking of Groups

No	Main group	Rank
1	Managerial cause	1
2	Political cause	2
3	Financial Cause	3
4	Business Environment Cause	4
5	Business Growth cause	5

Table 4.14 shows the rank of the main groups that may lead to contractor's business failure. It is clear that the Managerial cause group of causes is the most critical.

4.3. socio-economic impact of construction company Liquidation

The data obtained from an interview supported this view in socioeconomic impact are increase poverty of the comments and graduate students and their families, increase unemployment in the country level by the cases of Liquidation of the companies ,decrease income ,Decries the standard of living of the employee ,lake of opportunity of job affect economic growth of the country in direct , Capital redaction, Increase Froude in both sides in employer and employs

CHAPTER FIVE: CONCLUSION AND RECOMMENDATION

5. Conclusion and Recommendation

5.1. Conclusion

This study was mainly conducted to assess the cause of Liquidation of Construction Companies in Addis Ababa.To address the objective of the present study data were collected from main stakeholders' contractor and experts using questionnaire and interview. The data collected through questionnaire analyzed using descriptive methods such as percentage and ranking.

- The study identified 5 groups of causes to construction companies Liquidation including:-financial related, business environment related, business growth related, managerial related and political related. The financial related cases caused the Liquidation of the construction company was lack of capital, Cash flow mis-management, Material wastages. The business environment caused the Liquidation of the construction company related National slump in economy, Absence of construction regulations, Accounting and tax practices and Award contracts to the lowest price. The political related causes that caused the Liquidation of the construction company are Racism, Border closure in region by police, Monopoly and Banks policy. The managerial related causes that caused the Liquidation of the construction company lack of control system, Internal company problems due to bad organization, Lack of using project management techniques and contract management problem. The business growth related cases that caused the Liquidation of the construction company Increase size of projects, increase number of projects and Lack of managerial development as the company grows
- Moreover of the cause of Liquidation Construction company related cases that potential cases are Racism ,Estimating practices, Low margin of profit due to competition Increase size of projects, Internal company problems due to bad organization, Lack of control system, Border closure in region by police ,lack of using project management techniques, Award contracts to the lowest price, High cost of materials, Absence of construction regulations, contract management problem, Lack of using qualified consultant.

- Finally, the socioeconomic impact Increase poverty, increase unemployment, Affect and Increase Froude.

5.2. Recommendations

Based on the preceding findings of the study, the following conclusions were set out:

For construction company

- The companies should not increase the number of projects that cannot be controlled.
- companies should consider political and business environment risk in their estimate and it should be neutral to political, specially racism and entity groups.
- companies should improve their managerial and financial abilities and practice in order to meet the challenge and to open-minded for professional and assign the right person at the right place.
- A construction company should conduct continuous training program, update their management system and use technology and adopted health working environment and working culture for the employees and environment.

For government

- stakeholders it should be arrange or modify regulation of licensing and controlling system and uniform rules all paces of over geographical coverage of Ethiopia.
- The government should separate deporting of politics from profession.
- The government should evaluate tax system.
- The government should eliminate corruption .

For the client or employer

- Tenders must be awarded to the best respondent bid with accurate cost estimate and not necessarily to the lowest bidders

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APPENDIX A

ADDIS COLLEGE

Postgraduate Program

Department of Construction Technology and Management

QUESTIONNAIRE FOR GRAD ONE AND TWO CONTRACTOR

Date:

Dear Sir/ Madam

This is a questionnaire designed for a research purpose in Addis College, MSc Program. The questions are prepared for the assessment of the cause of deficit in Construction Company in Ethiopia: The case of Addis Ababa. The main objective of this study is to assess the cause of liquidation of Construction Companies in Ethiopia: The case of Addis Ababa. Thus, your responses to these questions would be kept confidential and be used only as academic purpose. Therefore, please be helpful and give your precise and correct answers to these questions. Your responses are used for only study purposes and also for further recommendations to improve similar works in the future. I would like to thank you in advance for giving your precious time.

Wubishet Jenber

Part one: General information

1. Type of construction

Genral cotractor Building Contractor Road Contractor

2. Age of the respondent----------.

3. Gender: Male ☐ Female ☐

4. Educational Background

Diploma ☐ First Degree ☐ Master's ☐ PhD ☐

5. Work Experience in construction (year)

Below 5 years ☐ 6-10 ☐ 11-15 ☐ 16 and above ☐

Part Two: Cause (Factors) Related to Construction liquidation

Please use the following key words to answer and make ticking mark on the provided space (5) =strongly agree, (4) = agree, (3) = no opinion, (2) = disagree, (1) strongly disagree

Causes		Degree of Agreement/Disagreement				
		1	2	3	4	5
A. Financial Causes						
1	Dependence on bank loans and paying high interest					
2	Cash flow mis-management					
3	Lack of capital					
4	Low margin of profit due to competition					
5	Estimating practices					
6	The increase in capital expenditures					
7	Bill and collecting effectively					
8	Difference of local currency exchange with contract currency					
9	Evaluation of profit yearly					
10	Material wastages					
11	Controlling equipment cost and usage					
12	Dealing with variation order					
13	Employee benefits and compensation					

Causes		Degree of Agreement/Disagreement				
		1	2	3	4	5
B. Managerial Cause s						
1	Lack of experience in the line of work					
2	Lack of experience in contracts					
3	Bad decisions in formulating company policy					
4	Neglect					
5	Adopting unsuitable procurement practices					
6	Lack of control system					
7	Lack of labor productivity and improvement					
8	Replace key successful personnel					
9	Owner absence from the company					
10	Lack of commitment					
11	Centralized decision making					
12	Inflation					
13	Company structure					
14	Lack of using project management techniques					
15	Assigning unqualified site engineer					
1	Internal company problems due to bad					

6	organization					
17	Lack of using qualified consultant					
18	Lack of adjusting to changes					
19	Lack of using efficient documentation system					
20	Frauds					
21	Lack of communication system					
22	Lack of using computers applications					
23	Claims by contractors					
24	contract management problem					
	Cause	Degree of Agreement/Disagreement				
		1	2	3	4	5
C. Business Growth C						
1	Lack of managerial development as the company grows					
2	Increase size of projects					
3	Change in the type of work					
4	Increase number of projects					
5	Change work from private to public or vice versa					
6	Opening a regional office in other governorates					

Cause		Degree of Agreement/Disagreement				
		1	2	3	4	5
D. Business Environment Cause						
1	Absence of construction regulations					
2	Award contracts to the lowest price					
3	National slump in economy					
4	Absence of specialized courts					
5	Owner involvement in construction phase					
6	Accounting and tax practices					
7	Insufficient award of contracts					
	Causes	Degree of Agreement/Disagreement				
		1	2	3	4	5
E. Political Causes						
1	Delay in collecting debt from donors					
2	Border closure in region by police					
3	Segmentation					
4	High cost of materials					
5	Lack of resources					
6	Limitations on material import					
7	Monopoly					
8	Banks policy					
9	Difficulties in dealing with suppliers and traders					
10	Racism					

APPENDIX B

ADDIS COLLEGE

Postgraduate Program

Department of Construction Technology and Management

INTERVIEW QUESTIONNARIE

1. What are the challenges which cause liquidation of Construction Company?
2. What is the socioeconomic impact of liquidation in construction?

APPENDIX C

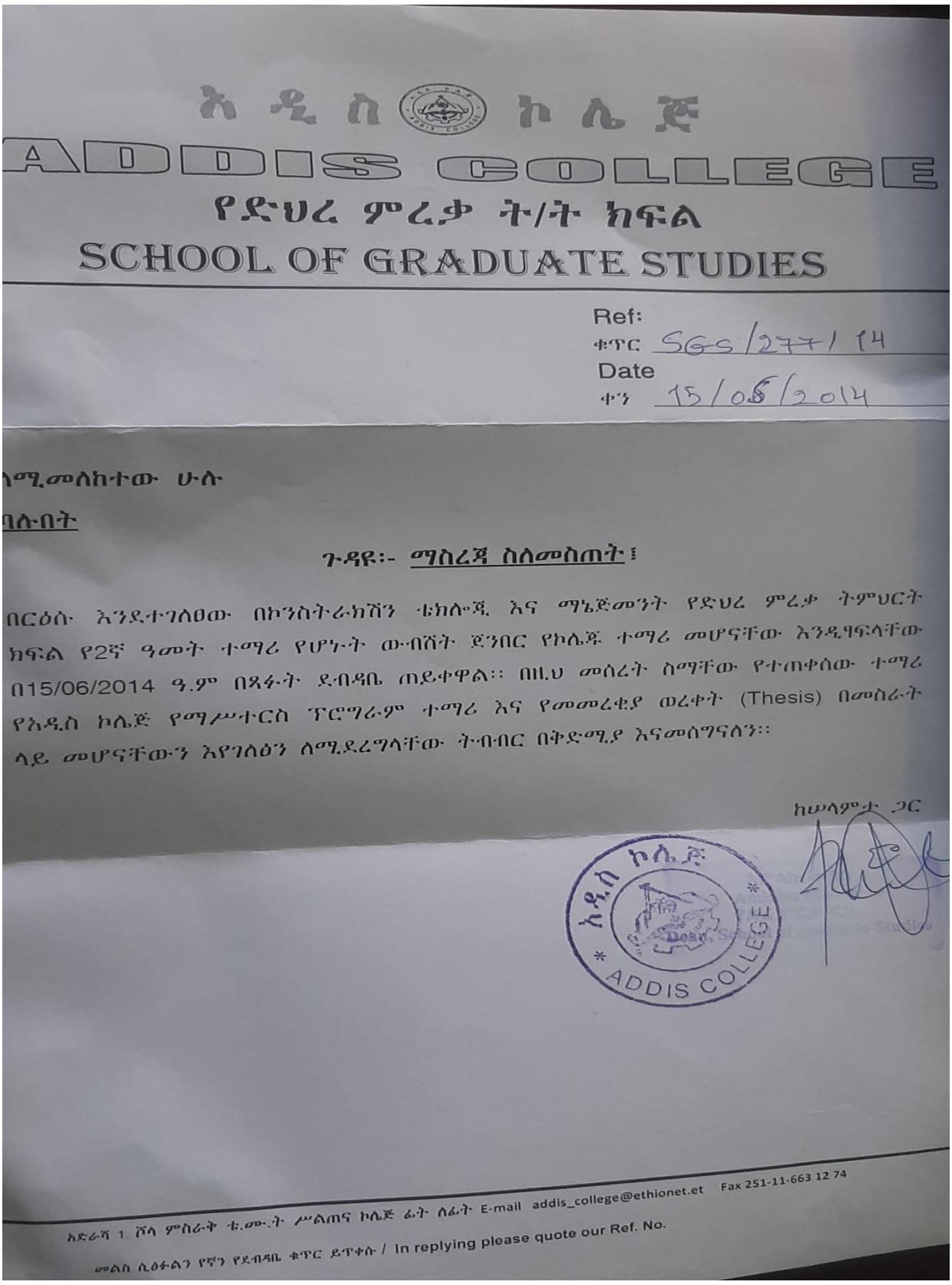
ADDIS COLLEGE

Postgraduate Program

Department of Construction Technology and Management

Reliability and Validity of the Research

	Factors	Degree of Agreement/Disagreement							
	Financial Factors	1	2	3	4	5	total	Mean	
1	Estimating practices	1		0	3	3	7	4.00	
2	Difference of local currency exchange with contract currency			2	1	4	7	4.29	
3	Bill and collecting effectively	2	1	3	0	1	7	2.57	
4	Low margin of profit due to competition	1		0	0	6	7	4.43	
5	Cash flow mis-management		1		2	4	7	4.29	
6	Controlling equipment cost and usage	1		5	1	0	7	2.86	
7	Evaluation of profit yearly		4	1	1	3	7	4.29	
8	Lack of capital		1	1	0	5	7	4.29	
9	Dealing with variation order		2		3	2	7	3.71	
10	Dependence on bank loans and paying high interest	0	0	0	1	4	7	3.43	
11	Material wastages	1	0	2	0	4	7	3.86	
12	Employee benefits and compensation	0	1	1	2	3	7	4.00	
13	The increase in capital expenditures	0	0	3	0	4	7	4.14	3.86
N 0	**Business Growth cause**	Degree of Agreement/Disagreement							
		1	2	3	4	5	Total	mean	
		F	F	F	F	F	F		
1	Increase size of projects			0	0	7	7	5	
2	Increase number of projects	0	0		1	6	7	4.857143	
3	Lack of managerial development as the company grows		1	**3**	2	2	7	4.142857	
4	Change in the type of work	1	1	2	2	0	7	2.428571	
5	Change work from private to public or vice versa		1	2	1	3	7	3.857143	
6	Opening a regional office in other governorates	1	1	5			7	2.571429	3.809524
N 0	**Business Environment Caus**	Degree of Agreement/Disagreement							
		1	2	3	4	5	Total		
		Fr	Fr	Fr	Fr	fr		Mean	
1	Absence of specialized courts	0	2	0	4	1	7	3.571429	
2	Absence of construction regulations	0	0	1	4	2	7	4.142857	
3	Accounting and tax practices	0	1	1	4	1	7	3.714286	
4	National slump in economy	0		2	0	5	7	4.428571	
5	Owner involvement in construction phase	0	1		1	5	7	4.428571	
6	Insufficient award of contracts	0	1	1	2	3	7	4	
7	Award contracts to the lowest price	0	1	2	1	1	7	2.428571	3.816327
N 0		Degree of Agreement/Disagreement							
	Political cause	1	2	3	4	5	Total		
		F	F	F	F	F		mean	
1	Racism				0	6	1	7	4.142857
2	Border closure in region by police			1		3	2	7	3.428571
3	High cost of materials				1	4	2	7	4.142857
4	Banks policy				1	1	3	7	3.142857
5	Monopoly	**1**		1	2	1	2	7	3.285714
6	Segmentation				3	1	3	7	4
7	Limitations on material import			1	2	1	3	7	3.857143
8	Lack of resources			2		1	4	7	4
9	Difficulties in dealing with suppliers and traders	**1**		1	3	1	1	7	3
10	Delay in collecting debt from donors	**1**			1	1	4	7	4



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ADDIS COLLEGE

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SCHOOL OF GRADUATE STUDIES

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Date 15/08/2014

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ጉዳዩ፡- ማስረጃ ስለመስጠት፤

በርዕሱ እንደተገለፀው በኮንስትራክሽን ቴክኖሎጂ እና ማኔጅመንት የድህረ ምረቃ ትምህርት ክፍል የ2ኛ ዓመት ተማሪ የሆኑት ውብሸት ጀንበር የኮሌጁ ተማሪ መሆናቸው እንዲገፍላቸው በ15/06/2014 ዓ.ም በጻፉት ደብዳቤ ጠይቀዋል፡፡ በዚህ መሰረት ስማቸው የተጠቀሰው ተማሪ የአዲስ ኮሌጅ የማሥተርስ ፕሮግራም ተማሪ እና የመመረቂያ ወረቀት (Thesis) በመስራት ላይ መሆናቸውን እየገለፅን ለሚደረግላቸው ትብብር በቅድሚያ እናመሰግናለን፡፡

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አዲስ ኮሌጅ * ADDIS COLLEGE *

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መልስ ሲፅፉልን የሚን የደብዳቤ ቁጥር ይጥቀሱ / In replying please quote our Ref. No.