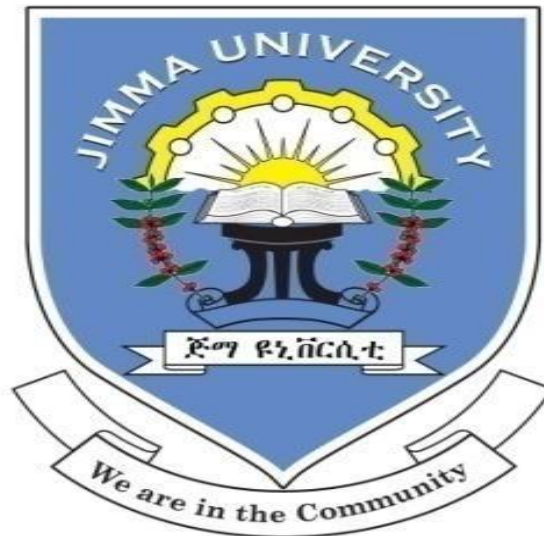


**JIMMA UNIVERSITY
JIMMA INSTITUTE OF TECHNOLOGY**



**DEPARTMENT OF CIVIL ENGINEERING
(MAJOR IN CONSTRUCTION ENGINEERING AND
MANAGEMENT)**

**FACTORS AFFECTING THE PERFORMANCE OF UNIVERSAL
RURAL ROAD ACCESS PROGRAMME CONTRACTORS IN
ADAMA WOREDA: A CASE STUDY**

JUNE 2016
JIMMA, ETHIOPIA

**JIMMA UNIVERSITY
SCHOOL OF GRADUATE STUDIES
JIMMA INSTITUTE OF TECHNOLOGY**

**SCHOOL OF CIVIL AND ENVIRONMENTAL ENGINEERING
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OF THE REQUIREMENTS FOR THE DEGREE OF MASTERS OF
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MANAGEMENT**

**BY
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**JUNE 2016
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SCHOOL OF GRADUATE STUDIES
JIMMA INSTITUTE OF TECHNOLOGY
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ENGINEERING
CONSTRUCTION ENGINEERING AND MANAGEMENT
STREAM**

Factors Affecting The Performance Of Universal Rural Road Access Programme In
Adama Woreda : A Case Study

By: Daniel Negede

APPROVED BY BOARD OF EXAMINERS:

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Chairman	Signature	Date

Declaration

This independent project entitled “*Factors affecting the performance of universal rural roads access programme contractors in Adama woreda : A case study*” is my original work and has not been presented for a degree in any other University.

Daniel Negede Signature _____ Date _____

ABSTRACT

In construction, many problems affect the performance of the project. In this independent project work, this project would show the factors that are pertinent to the performance of Universal Rural Road Access program contractors in Adama woreda. Here the data is collected by interview and observation while the some contractors were on action. Then the data collected was analyzed qualitatively. Sampling method used was purposive sampling. The result shows that there are two categories of factors. Internal factors and external factors. The result shows that both factors have high contribution on poor performance of the contractor. Qualitatively discussing of the factors, the researcher shows each factors impact. However, in case of controllability, external factors are difficult to control for the contractors. Trust between member of the contractor from internal factors and payment delay from external factors are seen as serious factors. In addition, timely release of the payment lack of doing deep and clear research before starting the programme, developing business relations for external factors and creating deep partnership between members are seen as good for performance of the contractors. Therefore, further investigation in this area for the future is necessary for the reduction of this factors effect.

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LIST OF ABBREVIATIONS

URRAP: Universal Rural Road Access Programme

ERA: Ethiopian Roads Authority

MSSE: Micro and Small Scale Enterprises

LIST OF TABLE

Table 1 Lists of projects location and their size.

DEFINITION OF KEY WORD:

Performance: in this paper refers to the execution of works on time as planned/ or as to the date of agreement.

Organization: refers to the contractors unless the context gives different meaning.

CHAPTER ONE

INTRODUCTION

1.1 Back ground of the study.

Throughout the world, the business environment within which construction organizations operate continues to change rapidly. Organizations failing to adapt and respond to the complexity of the new environment tend to experience survival problems (Lee et al. 2001). With increasing higher users' requirements, environmental awareness and limited resources on one side, and high competition for construction business marketplace on the other side, contractors have to be capable of continuously improving their performance (Samson and Lema 2005).

A number of studies have been conducted to examine factors affecting project performance in developing countries. Faridi and El-Sayegh (2006) reported that shortage of skills of manpower, poor supervision and poor site management, unsuitable leadership, shortage and breakdown of equipment among others contribute to construction delays in the United Arab Emirates. Hanson et al. (2003) examined causes of client dissatisfaction in the South African building industry and found that conflict, poor workmanship and incompetence of contractors to be among the factors which would negatively impact on project performance. Mbachu and Nkando (2007) established that quality and attitude to service is one of the key factors constraining successful project delivery in South Africa. The performance of contractors in Zambia is apparently below expectation; it is not uncommon to learn of local projects that have not been completed or significantly delayed. This poor performance of many local contractors has huge implications in terms of their competitiveness (Zulu and Chileshe 2008).

The construction industry is complex in its nature because it comprises large numbers of parties as owners (clients), contractors, consultants, stakeholders, and regulators. Despite this complexity, the industry plays a major role in the development and achievement of society's goals. It is one of the largest industries and contributes to about 10% of the gross national product (GNP) in industrialized countries (Navon 2005). Ethiopia is

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noexception; the local construction industry is one of the main economic engine sectors, supporting the Ethiopian national economy. As adama is also part of Ethiopia, it also shares this fact. As in any nation Ethiopia also shares same problem of poor performance. As Adama woreda is one of woredas found in the Ethiopia it also shares the same thing as that of the word and the country.

Adama woreda is among woredas who have many economic resources. Even though there is a huge economic resource in the woreda, the roads, which connect this farmer's kebele to the main road, was not enough before 2011. However, starting from this period the federal and regional government started millennium development goal and part of this goal was universal rural road access programme.

Universal rural Road Access programme was started as a programme by the government of Ethiopia in 2011/12. Scope of the work includes Construction of drainage structures, surfacing of the road construction, and construction of check dams. Because of this, many contractors were established as part of the government programme in Adama woreda. As it is seen from documents, many contractors were established in this woreda and many of them failed because of poor project performance.

The purpose of this research paper is to investigate the factors that affected the performance of the contractors in the woreda. However, what is performance first? Performance is a contextual concept associated with the phenomenon being studied (Hofer,1983). On this context of URRAP Contractor's performance, performance is a measure on time and with the agreed quality or the outcomes that results from management decisions and the execution of those decisions by members of the organization to complete the projects. This is what outside of those who are outside of the stakeholders can see clearly and what builds the image of the contractor.

When talking about the contract type of this programme, the contract of this programme is fixed rate. The rate is fixed by the client at regional level by considering woredas roughly. Mostly what is considered here is location of surfacing material, cement and stone for structure. The rate and items of works has been changed three times until know.

The earthwork items are removed from the contract after 2011/12. The rate was changed three times. First in 2011/12, then in 2011/12 and lastly in 2012/13. The contract at the first time was commenced on 2011. This contract includes all the items which are included for the road construction at this standard. However, after 2011/12 the client starts to execute the earth works by his own budget to reduce the cost. In addition the rate of the remaining works is also reduced. The effect of this reduction of both the rate and the item affected both the client and the contractors.

This project work was conducted mainly to the partial fulfillment of the degree of masters of engineering in construction engineering and management and the woreda was chosen because the researcher's closeness to the problems and the woreda was among which the woreda's that are affected by poor performance of the project. This is revealed by never making any provisional acceptance until 2015 (ETLM,2016). Moreover, there was deep-rooted performance related problem in the woreda.

The researcher tries to look the problems from contractor's point of view. The project tried to show the factors that create poor performance of the project. This paper will be given the woreda and zonal roads authorities and defend it at Jimma University. In addition, it can be used as an informative work to the stakeholders and the results may be used as information for those who are at the position of decision-making. This project shows the importance of project management knowledge in addition to technical knowledge which many people lack. This research classifies the factors into two groups as internal factors, which describe factors in and between the firm members and their employees and external factors that are related to government and other business partners.

1.2 Significance of the study.

The reason why this research is done was. It is done for two purposes. One for the partial fulfillment of the masters of engineering in construction engineering and management and the other is for the failures experience of the contractors in the Adama woreda. In

addition, to investigate the factors that is affecting the performance of the contractors in this woreda.

1.3 Statement of the problem

The gravity of rural transport bottlenecks across Sub-Saharan Africa has been major problem in sub Saharan Africa. Improving rural infrastructure is an essential requirement for the modernization and growth of agriculture. Better market incentives to farmers will be blunted if the physical barriers and economic costs of transporting goods to and from local markets are too high. The effectiveness and sustainability of past programs for rural roads have been hampered by the lack of a coherent policy framework and institutional focus for planning, and funding (world bank, technical paper 144).

Sub-Saharan Africa has approximately 700,000 kilometers of rural roads, with half of them in poor condition. Road densities per km² are generally much lower than those of Asia or Latin America. Low population densities, low levels of income and weak road planning combine to make Sub-Saharan Africa altogether under-equipped and overburdened in terms of rural road infrastructure. Ethiopia is not different from the others because it is included in sub-Saharan African countries geographically and economically also. Total need for expansion of rural road networks are enormous.

Universal Rural Roads Access programme is among governments millennium development goals programme. This programme is intended to helping kebeles in the woreda to be connected by roads. Because of this programme, Adama woreda is also taking the advantage. However, both the contractor and the woreda were not taking the advantage as it is expected. For example in Adama woreda, Around six contractors were established in the woreda. However, because of there is a problem that is making them not to perform well. It is known that on a woreda level only two URRAP contractors are needed. Nevertheless, in this woreda there were six contractors at different times. From them, three of the contractors were terminated by the woreda. And two others left by themselves to the woreda where they come from. These two contractors were chosen to carry out the construction activity because of their good performance in their woreda.

However, in this woreda these contractors are not as successful as expected and the society of the woreda are not benefiterers as the programme intended. In addition, some contractors lost their job and bankrupt because of this programme. Therefore, this indicates that there are factors that the woreda and the contractors were facing and resulted in poor performance since the beginning of the programme. Among the indicators that indicate there were factors is the progress of the works. The overall plan of the five years programme was 132.56km of the road was expected to be finished at the end of this budget year. Nevertheless, as it is seen from the report of the consultant only 27km of the 132.56km of the road is completed and provisionally handed over to the client formally. In addition, there are contractors that did not hand over the site and bankrupted. Road surface is very deteriorated and needs totally new construction even maintenance is difficult.

All the projects which were handed over were done late to the contract time and the handed over projects again did not handed over by the contractors of the first establishment. All were handed over by contractors who came from other woreda because of their good performance on that woreda and others completed and handed over by general contractor who is not part of the programme.

1.4 Research questions

1. What are the factors that affect the performance of URRAP contractors in Adama woreda?
2. What is the effect of each factor on the performance of the contractors in the woreda?
3. How can we reduce the effect of each factor?

1.5 OBJECTIVE OF THE STUDY

1.5.1 The main objective of this study is:

To assess the principal factors affecting the project performance of URRAP contractor in Adama woreda.

1.5.2 Specific objective of the study

1. Collecting data on the factors affecting the performance of URRAP contractors in Adama woreda.
2. Classifying of the factors into groups of similar category.
3. Describing each factor for the effect it has on the project performance of the URRAP Contractors.

CHAPTER TWO

LITERATURE REVIEW

In any projects, there are factors that contribute to the success or failure of the project. Different literatures give different causes or factors and experience shows that there is something, which makes a difference in the organizations fail or succeed in its performance. However, many researchers try to put it in to two groups. For example (Fu, 2004) classified it as internal and external factors. The focus of Fu was mostly on trust. He classified of trust as one of the capital a society or organizations should have. Accordingly he classified capital into three parts. While (li et al, 2008) grouped them as individual and the big picture factors.

In review of existing studies, this paper have found two types of strategy implementation studies: those highlight the importance of individual factors for strategy implementation and those that emphasize the „big picture“ of how such factors interrelate and form a strategic implementation environment. This view sees the performance from strategic implementation, which is not the concern of this paper.

Nkonoki, divides these factors in to three. The resource, the firm, and the strategy this refers to the characteristics of the individual or individuals who provide the prime managerial resources of the small business. An example is measuring motivation or social marginality might pose more problems than specifying gender, number of founders or their ages. Nevertheless, the integrating, or common characteristic of the entrepreneur/resources component is that all elements can be identified prior to business start-up and they relate exclusively to the entrepreneur and his/her access to resources, not to the business, which is established.

The firm, the entrepreneur and the strategy the firm - The characteristics in this component reflect decisions made by the entrepreneur upon starting the business such as choice of legal form, location, or the sector in which the business should operate. They are not; however, operational decisions that are made once the business starts, since these

are what are included in the strategy component, although clearly it is possible to change location or legal form once the business has begun to trade. However, this is again out of our context. Because we want to the firm case mostly what is going after the firm is established or during operations.

The strategy – It is perhaps the elements in this third factor that are of prime interest. To some extent strategy in this context can be considered as asking the question – given the characteristics of the entrepreneur(s) and the firm – what managerial actions, once the firm has started, are likely to be associated with more rapid rates of growth. But in this paper, the researcher used to groups or classification as Internal and external factors (li et al, 2008).

From observations and literature review the researcher indentified different factors as internal which includes Trust between members, Initial capital, Business minds of the members, lack of plan/vision, Effective project management skill of the members, Business relations between the firm and machinery owners, Wrong Motivation and expectations, Mismatch between experience and reality working in huge organizations not knowing the reality of small business.

External factors such as Location of construction materials (geographically), Government administration, Community attitude towards the project, Availability of daily labor.

Let us see them one by one from different literature. First from its definitions according to(Fu,2004) Trust involves risk taking; that is, both parties know that the actions of one party can materially affect the other, but both share ideas, concerns or issues candidly notwithstanding. According to merry et al, trust is a tool used to manage the vulnerability of firms working dependently where there is no legal power one possess over the other. According to de jong trust encompasses firm capabilities of a partner to perform the negotiated tasks, as well as to trust its integrity to deal with the shared information in such a way that it will not be misused. Again Misztal defines trust as either the property of individuals, social relationships, or the social system with disproportionate attention to behavior based on actions at the individual level (Misztal, 1996).

On the individual level, you trust an individual to do something based on what you know of his disposition, his ability, his reputation and so forth not merely because he says he will do it.

On the collective level, if you don't trust an agency or organization with which the individual is affiliated, you will not trust him to fulfill an agreement (Dasgupta,1988). From the above literatures we can see that all agree to the scope trust includes. That is trust includes both the capability to do the task and the integrity to keep the commitment or information shared between individuals or firms.

Trust is required between the multiple actors and entities to enable shared decision making, keeping the secret, and taking of risks. This will create commitment, willingness to be controlled by another person, promotes openness,(Sable,1993), increases efficiency of relationship,(Dyer and Chu,2003) and reduces the need to monitoring and bureaucratic process(Anderson and Narus,1990). Therefore, trust has positive effect on organizational performance.

Initial capital also plays major role in organizational performance especially at the beginning of the establishment. At this time the reason that initial capital becomes so crucial is huge mobilization is done during this time and the amount advance payment received is only 10%, which becomes the controlling factor for the generation of finance. (Endalkachew,2008).

Adding to the above element is the third factor which is the lack of background and experience in the same business. It is hypothesized that background and experience are likely to be associated with more rapid growth of the firm especially small or newly established firms. This is so because experience automatically gives the entrepreneur(s) or manager(s) adequate managerial capabilities to handle and overcome more easily the problems which are experienced as the new business grows (Nkonoki, 2010).

Background and experience in this context implies prior self employment, prior employment in the same business and prior business failures. It is shown in the results

that four of the interviews linked lack of background and experience as a factor limiting small firm growth (Nkonoki, 2010).

Among the internal factors Coming down to the matter of lack of a proper business plan/vision for the business, it is evident that firms which have no proper business plans at start face the most challenges during the course of their lives. It is emphasized that a formal plan for a business is needed in order for proper goals and objectives of the firm to be laid out in the open so that the team in the organization works together for the same goals in their minds. Also the business plan is important since it is helpful in monitoring the extent to which these plans are successful in terms of materialization and provides the opportunity to review reasons as to why the plans and outcomes differ.

In addition to lack of vision, another factor addressed by casson is poor management. Poor management can be categorized in two parts these being poor management experience and lack of management training. It is argued from a theoretical perspective that management experience and continuous training provide a particular entrepreneur with the necessary skills and competences needed for successful entrepreneurship (Casson,1982).

With adequate education mixed with management experience and training puts a manager in a better position to make tough decisions and fore castings under conditions of uncertainty, which in turn with those competencies making these particular managers perform better than untrained individuals. Research conducted in 2007 about determinants of small business growth in Nigeria by Okpara, shows that firms, which provide management training, are more likely to grow faster than the firms with no management training are (Okpara, 2007).

Here it is argued that prior experience of the manager in dealing with particular type of tasks is likely to supplement the expertise of the entrepreneur and enable business objectives to be more easily achieved (Nkonoki, 2010).

Starting with the lack of motivation and drive, this has to do with the main reason(s) for the entrepreneur(s) establishing the business and the relationship of this with the growth of the firm. It is clear that there are positive and negative motivations for starting a business and it is obvious that positive motivations of the entrepreneur(s) are more likely to establish a business that grows than those with negative motivations. Positive motives include such things as the perceptions of high demand for a product and market opportunities while negative motives include such things as dissatisfaction with an existing employer (Bark ham 1992).

The others are the entrepreneurs starting a business with no clear visions for their business meaning they are just about being in business to earn normal income to meet their basic human needs. It has been proven that this is a major constrain to many small business owners (Bark ham 1992). Bark ham shows a positive relation between the motivation of the entrepreneur(s) and the growth of the firm; in other words, the more positive motivation of the entrepreneur(s) the more likely the business will grow. However, this works only when their motives are right or ready to be right. However, in real cases. The expectation of the firm member from the firm is wrong mostly. They think as if it is paid only for their experience.

Among External factors included In construction, are as listed above and here delayed will be seen the word “delay” refers to something happening at a later time than planned, expected, specified in a contract or beyond the date that the parties agreed upon for the delivery (Pickavance, 2005). In this context payment delay have the definition of payment earned at later time than expected.

CHAPTER THREE

Methodology

This chapter deals with the methodology followed in this paper. The researcher tries to look at relevant factors that are important to create good organizational performance. From the findings that are essential for good performance of road construction Projects in the case of URRAP programme, the method of data collection used is by using interview and more of the data is collected by observations; while some contractors were on performance. The research tries to investigate data collected on the relevant factors systematically. Then tried to find their sources. where they come from? how they are created? What could be done to solve them? To do all of this the data was collected seriously and appropriate method was used for the analysis. To investigate the factors used to affect the performance of contractors in the woreda. To collect and analyzed the data, different methods were used. These methods are described below.

The projects under assessment are located in the east shoa zone of Oromia regional state of Adama woreda. The woreda is located nearly 100kms from Addis Ababa situated on the area of the Great Rift Valley. It is an economic center for the regional state and the country for recreation and strategic area for commodity exchange and industry zone. As the main link of our economic center Addis Ababa to Djibouti is passing through this woreda. There are a lot of developments under progress in construction of highways and railways passing through to link the capital city Addis Ababa to Djibouti port. And the express way connecting the the Adama town to Addis Ababa passes through this woreda. to the capital city that minimizes the exhaustive and time taking travel from Addis to Adama. According to the development plan of the government and the regional state an expansion projects nearby specially sugar industries are under way which required a well-developed infrastructure of road network to mobilize resources and products. The altitude of the area is 1500m above sea level.

The climate is arid with mean annual temperature greater than 30 degrees centigrade and annual rain fall of less than 500mm.

According to Adama woreda roads authority 2008/2009 E.C plan indicates the population of the woreda is around 140,273 with 37 farmer's kebeles. This kebeles are so scarcely populated. This is the woreda is dry that cannot support rain based agricultural works. However there are many economic resources that are currently used. Most of these resources are useful for construction. The economic resources that are available in the woreda includes: fish from koka lake pumice that is huge in its quantity as it is seen in many places. Currently it is not known accurately. Sand is also another economic resource of the woreda. Around Koka Lake, which is mostly transported to Addis and Adama. Irrigation is carried out in this woreda extensively. Wonji sugar factory is found in this woreda.

3.1 Method of data collections

Data is collected by interview, literature review in similar types of organizations and by observation, recording things that were going on while the contractors were on progress, different informal discussions were taken for experience sharing, and the researcher tries to formalize that data and interview with the contractors, consultants and the client. Semi structured type of interview is used in this research. Contract documents are also reviewed.

3.2 Types sample method

Census sample method is used to collect data because the populations in the sampling frames are small in amount and this was done purposely. Because generalization is not the goal of this research. Therefore, almost all stakeholders are interviewed. Moreover, the data was collected from all of them, which is important for this study case.

3.3 Study area and period

The study area includes only Oromia regional state eastern shoa zone of Adama woreda URRAP road projects from the period 2004 – 2008 E.C. which were being undertaken by different groups of contractors and consultants.

3.4 Study type

The study type is descriptive study. Because the data is not numerical in this case. The reason that it needs description on the causes of some figures which needs description.

3.5 Method of Data analysis

Since the data used was collected from interview and observation, the study type is descriptive type. The method of data analysis was qualitative. This method was chosen because the variables are different in kind therefore it is difficult to compare them quantitatively. Nevertheless it is known that description might give some information about what, where, how and when of the research. In addition, measuring some characteristics such as trust is difficult. Moreover, doing so becomes more than the scope of this research. Therefore, qualitative method of analysis is believed the best for this independent case study research.

CHAPTER FOUR

Results and discussions

In this section, the results and discussions of the interviews conducted and observations are presented with the major challenges/ problems outlined which will later on discussed in depth in the discussion part of this particular project work. After obtaining the results from the interviews conducted, the researcher saw it as a merit to group the factors affecting URRAP contractors' performance in Adama woreda specifically and in general into two groups. First is the factors that originate from within the firm (in other words they are internal to the firm) and the second group factors that originate from outside the firm (these are external to the firm). The factors have effect on the performance and they are grouped into two: internal factors and external factors. Internal factors include the following.

Internal factors

- Lack of trust between members..
- Capability or talent of the members doing business.
- Lack of efficient project management skill of the members.
- Business relations between the firm and machinery owners
- Wrong Motivation and expectations .
- Mismatch between experience and reality (working in huge organizations not knowing the reality of small business)

External factors , which will be discuss individually and put them as their order of effect.

External factors.

- Location of construction materials (geographically).
- Government administration.
- Community attitude towards the project.
- Availability of daily labor.
- Amounts of advance payment

- Delayed payments
- Nature of the soil of the project area (determines amounts of water and costs of dumping, both internal and external).
- Project handover delay (...acceptance and its cost on contractor, both internal and external).
- Design standard and amount of traffic (pavement thickness and real traffic load, external).
- Rigidity of the rate for different projects in the woreda
- Payment delay
- Lack of clearing legal cases connected with material sites.

The significance of this study is that it investigated the factors why the contractors fail in the woreda. Therefore, this paper helps the contractors learn from what has been happening and the client to understand the factors and take actions on them for the future. In this case, the contractor can understand the organizational behavior especially how trust is important. This will help them to give special attention for it and make use of it. The client is also become aware of the importance of good relationship between the member of the contractor and its own commitment to fulfill its duty on time. Especially payment and site handover cases. And give attention to it. In addition it can give hint or direction to someone who wants to establish construction firm in group and a new leader who is going to come to lead the road authority office and be encouraged not to do this mistakes during his time of leadership. It also informs the government to give attention to trust and prepare the way of developing it in the field, which is critical in the internal problem of the firms.

4.2.1 Internal factors

4.2.1.1 Trust between members

If there is Trust between the team members every member of the firm is encouraged. As its definition shows trust involves risk taking; that is, both parties know that the actions of one party can materially affect the other, but both share ideas, concerns or issues candidly notwithstanding. The cognitive component of trust is based on a considered and

rational analysis of the “pros and cons” of the decision to trust. This decision is made by calculating the advantages and risks in order to maximize the hoped for gains or minimize the potential losses resulting from the interaction. As for the affective component, it is based on more emotional and affective relationships between the two parties. Individuals who commit emotionally to a relationship of trust show a sincere and special attention to the well-being of others. The affective component is based on a feeling of goodwill, mutual generosity and affective closeness between the parties. Hence, each party commits emotionally to a positive relationship, is truly concerned about the well-being of the other party and believes that these feelings are mutual. This will give freedom of action, increase enthusiasm and reduce bureaucracy. Therefore, decisions are made fast. So when a decision is made based on a common understanding of the vision of the firm, the firm never loses its advantage, which might come from indecisiveness. Thus, it is important for managers of all levels to make decisions. Like it or not, managers are evaluated and rewarded based on the importance, number, and results of their decisions. Trust between members and fellow workers helps them to make decisions. Especially such types of decisions are very important on tasks related to the site. Nevertheless, this will be harmful if the decisions are taken to show their importance. The quality of the decisions that managers reach is the yardstick of their effectiveness and of their value to the organization. Since trust encourages taking risks of the other, it helps the individual to make decisions. This system in other ways helps for the decentralization of tasks based on the commitment of the individual for the common vision the members have of the organization. Therefore, this shows trust between members is the most critical substance if it is exercised based on the objective of the firm and the members understand this. We can summarize it as follows.

Trust creates risk sharing — risk sharing encourages decision making —————>

Decision-making — brings effectiveness and efficiency ————— results in good performance.

4.2.1.2 Business minds (knowledge) of the members.

Business mind means someone's response to the possibility of doing business. It is a thought pattern someone is reared in or acquired before starting the business. Of the firm members affect the performance of the firm greatly. Among the ways it affects the business is that it creates sensitivity. That is The ability to respond to affective changes in your interpersonal environment and helps the members to take prompt actions. What the researcher was observed during his interview and from experience is that members who have business experience before gives reliable and timely decisions compared to those who have no experience in business. The other thing that shows effect was the way individual think of gaining money also have effect on the firm. If a member believes someone who is in charge of finance gets some money by cheating, he cannot believe the other member and employee this creates mistrust between the member and between members and employees which is difficult to manage in the context of our culture which is more social and this is also another way the business mindset of a member or employee affects the performance. Especially if someone on the business disagree. It is known that if there is no consciences and trust doing everything by system or law is difficult at this stage. Unless controlling everything is impossible and this creates bureaucracy again and lags the performance of the company backwards.

4.2.1.3 Efficient project management skill of the members.

As it is known management is about planning, staffing, organizing, leading and controlling of tasks and people to attain the objective of the firm. Efficiency is about doing things right. This is most of the time the function of the manager. Planning involves deciding which objectives to set, which forecasting method to use, which strategies to apply to each objective, how much and what types of resources should be budgeted, and which policies are appropriate. A manager is continually making decisions throughout each stage of planning, and the quality of plans is determined in large part by the decision-making skills of managers. As it is known there are three levels of management especially it is true in the construction industry. These are lower level managers (formans), middle level managers(site engineers) and higher level managers or project managers. What makes them all similar is that all of them are expected to make

decisions at the particular point of their assignment. The decision every one of them makes individually and overall management of the decision has great effect on the performance of the organization. If the managers of any level do their tasks by giving the proper priority and focus on the controlling actions of their tasks having many employee and resource will make no sense. Therefore proper management of the firm is so critical. The problem here is that many firms experience is they have been working on large companies who have his own responsible person. But when we came at the case of the URRAP more than being an engineer its ways of control is difficult because of its financial capacity and huge responsibility exists including food, fuel, machinery rent, but many engineers have no such experience and they think that it is small. But when they try to realize it is the most serious thing and difficult to manage. The other problem they face is that. In large companies, there is a well structured system which is able to govern the relationship between every person. Bur here what governs the most is not the system. Because the firms are not able to do that and especially the behavior of machinery operators, and dump track is drivers is different from such trends. Therefore contextualizing their management skill becomes difficult and this cost them a lot even there were some contractors that terminates because of this difficulty. And those who determined and take action contextually can survive problems which can arise from management problems. We can conclude efficient management helps efficient utilizations of resources.

4.2.1.4. Business relations between the firm and machinery owners

Among the problems, this was also one because before the one who brings the machine was someone different therefore they didn't have real experience of the real market. In addition there is a different environment because the machines are rented for along period of time and the financial system is strict the owners want their machines to be there is also productivity and everyone is expected of meeting the minimum requirement if they want to stay they know that they have to meet that requirement. And the firm has many machineries and have many tracks the influence of a machine is not as such a problem.

4.2.1.5. Mismatch between experience and reality.

Having experience is good and unquestionable resource. However, what this paper showed us was something different. That is having experience and having experience in the same type of organization is different. As it is known experience gives the manager clear view and helps him/her to give reliable and timely decisions. But having experience in same business but different size is also another thing. This is what we have learned from this project paper and experience. The researcher has witnessed two managers who have been working in different settings of different organizations. One was material engineer in large highway construction company and have experience of around 20years and he is managing at that level the other has been working in such large company but he has got some experience in same projects before but have lower experience compared to that of the other manager keeping their personality out of context the second one helped his firm to survive while the other fails. From this we can draw some conclusion that experience in same amount of firm is more important and helps the survival of the firm especially when a person is going to start his own business.

4.2.2 External factors

4.2.2.1 Payment delay

Payment is considered as the lifeblood of the construction industry because constructions often involve very large capital outlay and take a considerable time to complete. There are different types of payments namely Advance Payments, Interim Payments, Final Payment and others in relation to construction works. Advance Payment: Advance Payment is pre-payment or down payment for a Contractor that can be re-paid progressively from Interim Payments. Interim Payment: Interim payment is a payment issued under the contract, other than the Final Payment Certificate. The Contractor shall submit his monthly payment to the Engineer at the end of each month. Interim payment consists of many types. But in our case includes only executed works and value added tax only. Final Payment is a payment that brings a balance to zero or completely satisfies and obligation due from the Employer to the Contractor or vice versa as the case may be. Contractors need some form of regular or periodic financial injection to maintain their

cash-flow & continue with their work in a diligent manner. It is a common arrangement under most contracts for contractors to be paid progressively at regular intervals. In the URRAP case of the woreda the payment is not limited on time basis. If the Contract does not include a schedule of payments, the Contractor shall submit non-binding estimates of the payments which he expects to become due during each period But it is arranged on the amount of the birr 100,000 (one hundred thousand birr). Now what is critical here are advance payment and interim payment are the critical ones. The payment is said delayed when it is paid in the time longer than the intended or needed time. From external problems, payment delay takes the first of its kind. In business, every performance is measured by profit. However when there is payment delay this cannot be achieved. Mostly affected by payment delay. Even some times it create stress on the firm financially and there is no way to alleviate this problem. Therefore it is the most serious of all problems and is the measure of performance in any business organization. business. Payment delay mostly increases fixed cost because this costs are types of costs that cannot be avoid. Finance is flowing out without adding any value to the firm at this time.

4.2.2.2. Effects of delayed payment on the contractor

4.2.2.1.1 Cash flow problem

Construction can survive without profit but cannot without cash flow. Therefore late delay have devastating effect. Here things to be considered are that there are sub contractors, employee of the company who needs the money for daily living and they cannot afford delays. And this will create stress between the contractor and his employee and subcontractors. This is exaggerated because construction needs long durations to complete the project and large amount of money to spend. This is disastrous effect on the industry and cracks down its stakeholders in to nothing. In addition, payment delay leads the contractor to be illegal before the government. Because he couldn't pay his tax duties on time.

4.2.2.1.2 Cost overrun

The interview revealed that payment delay led the contractors to cost overrun on the project. Therefore, final capital invested in order to finish the project is higher than it could be if the payment is paid on time. This leads the contractors either to terminate or suspend the contracts for temporary time. This also incurred him of extra cost for machineries and of workdays of his employee. Further more the employer is deriving benefits from the construction and made the contractor responsible for defects occurred.

4.2.2.1.3 The contractor's image

In an industry, which is, glooming the credentials of the contractor is prime interest and should be protected. When payments delayed it could be hard to work with such a contractor.

4.2.2.1.4 Temporary suspension of the work

Even it is breach of the contract; it is one of the most disastrous effect of the delayed payment. Contractors do so to prevent bankruptcy. It also serves as a warning for the employer. Project suspension also creates social unrest and lack of trust to the leaders of not fulfilling their commitment.

4.2.2.2 Nature of the soil of the project area

Soil condition is another problem. This can be raised as a problem because the contract was fixed on a woreda basis and construction by its nature is site specific. Density-moisture content strength relationship(s) is specific to the sub grade soil(s) encountered along the road under study. Therefore, soil problem is this woreda because the soil is tropical soil. There is huge difference from site to site. The soil is so fine on some sites that the water cannot go deep on some site and its rate of evaporation of the area is high. This is the indication that the water content of the soil vary greatly. This requires more water but to do so adds additional cost to the contractor but no payment is considered. Soil problem has been affecting the contractors in many ways. Sometimes the tracks are not willing to dump because of the tire sinks in the soil after some trips and this will reduces the number of dumps they can dump. This will reduce their daily

income..Therefore having many tracks become difficult. Mostly in such areas daily based agreement with tracks is difficult. This will create idle time on the machineries because they can load only the available tracks. The other way was after they came and start dumping they will be united against the contractor and forced him to add some amounts of money per trip. Sometimes this will also bring no solution and needs another solution providing grader and shower track this again adds additional cost that is not considered in any way. When these sums up they create huge cost and sometimes leads to loss.

4.2.2.3 Amount of advance payment

The advance payment which is paid is 10% of the project cost and this was the most critical especially during start up time of the project. This was affecting the contractors in many ways. Among these problems the machine intensive nature of the construction. The first establishment time is the most serious time. This is the hardest time because most of the projects are small in volume. And the minimum rental hour of the machines is mostly 50 hours which is beyond the projects requirement. At this time the contractor is new and the machinery owners have no confidence in the contractor. Because most of the have money on other contractor of the same type which was not paid because of payment delay. The amount of advance payment taken was so small compared to the amount of money needed. The other problem is that one machine cannot perform any activity by his own and needs other to work with. Same problem is seen in the other machine and this works for all of them. Sometime especially at the beginning of the programme even machines which were not functional before was also used because the market need and available machines Was so huge and the contractors were newly established and want to finish on time. This causes many contractors to fail. Therefore difference between supply and demand was also a cause for failer for many. This was also the other way. This type of market also affects the performance and increases the cost and makes the advance payment value lower. This pressure is visible for a long period of time even if the firm sustains.

4.2.2.4 Availability of daily laborer

The presence /absence of daily laborer affects construction seriously. Especially in road construction which is carried out afar from the office. Every movement is supported by transport which is rented on daily basis. When there is enough daily laborer on the site it reduces the number of days needed and this on the other hand reduces rental days and increases competition between daily laborers in reducing cost or by increasing productivity which in return becomes benefit and good performance for the contractor.

4.2.2.5 Construction material problem

There is two types of material related problem which happened on the contractors and causes them to bad performance. Accordingly one problem was lack of construction material on the proposed site. The other is problem related to legal cases. In the first case the proposed material site was not large enough to cover the whole root even it is not enough for around 1/8 of the project and since there is no mobilization and demobilization cost included in the project cost, mobilizing for such amount results in bankruptcy therefore the contractor did not mobilize any machinery and the project was delayed almost for a year.

CHAPTER FIVE

5. Conclusion and Recommendation

5.1 Conclusions

From the discussion, the author can conclude that there are factors, which affects the performance of the contractor in the construction firm. Therefore, even if the goal of this project is not generalization it shows that same factors which affects other construction project also affects theses contractors. What is unique to URRAP contractors is that the fixed rate. Which In the case of this paper, these factors can be grouped into two: just as internal factors to the firm and external factors to the firm. These two factors are equally important for the performance of the URRAP Contractors. However, in the case of controlling, external factors are difficult to control and resulted poor performance on the contractor. From internal factors, Trust between members, Business minds (knowledge) of the members, efficient project management skill of the members, Business relations between the firm and machinery owners, Mismatch between experience and reality. It is difficult to arrange in order of importance but the researcher believes trust between members become first. Because all can grow over it. In addition, it can act as a base on which the others can grow. In other way, the external factors include: Payment delay, Amount of advance payment Nature of the soil of the project area, Construction material problem and Availability of daily laborer. Are also have effects on the project. Again what could be new here is also soil condition this is also raised as a problem because of the fixed rate condition and it favor someone who is on the side that there is good soil conditions.

5.2 Recommendation

From the conclusion, the author can recommend these: developing trust between member of the firm for reducing internal causes and reducing payment delay by adjusting the finance system for external causes can be good resolution. Taking training on Effective project management, clearing the site from any legal restriction is also advisable.

Therefore, further investigation in this are for the future is necessary for the achievement clear and working knowledge and using vast conditions with quantitative analysis to see their magnitude of influence also helps us to put them in order of importance.

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