

CHAPTER ONE INTRODUCTION

1.1 BACKGROUND OF THE STUDY

It is a known fact that the Nigerian construction industry continues to occupy an important position in the nation's economy even though it contributes less than the manufacturing or other service industries, (Aibinu and Jagboro, 2002). The contribution of the construction industry to national economic growth necessitates improved efficiency in the industry by means of cost effectiveness and timeliness, and would certainly contribute to cost savings for the country as a whole. It is also common knowledge that the implementation of the construction project in the industry is usually accompanied with time delay and cost increase as well as owner dissatisfaction (Hafez, 2001).

In general most (if not all), construction projects experience time delays and cost overruns during their implementation phase (Koushki and Kartam, 2004). Numerous researchers, both in the developed and developing nations have also examined and identified the causes of time and cost overrun in the construction industry. Mansfield, Ugwu and Doran (1994), for example performed a comprehensive analysis of most important factors responsible for project delays and cost overrun in Nigerian construction projects. This analysis indicated poor contract management, financing and payment of completed works, change in site conditions, shortages of materials, design changes, subcontractors and nominated suppliers, other factors were price fluctuation inaccurate estimates, delays and additional works as factors responsible for project delays and cost overrun.

A comprehensive classification of causes of construction delays has also been determined by Henesy (1993). The classification system included materials, labour, equipment and financial constraints, as the main contributory variables to causes of construction time overrun. The list of major factors causing construction delay in Thailand by Ogunlana and Proumkunting (1996) included the inadequacy of resources supplies, client and consultant shortcomings and incompetence. Koushki and Kartan (2004) studied the impact of construction materials on project time and cost in Kuwait and identified the project related variable affecting the on time delivery of materials as material selection, time, type of materials and their availability in the local market.

Time impacts are inevitable on construction projects, primarily because of the uniqueness of each project and the limited resources of time and money that can be spent on planning, executing and delivering the project.

Time factors are inherent in all of project construction's undertakings. Construction projects have long been recognized as particularly cost, time and risk-laden. Some of the time and cost factors associated with the construction process are fairly predictable or identifiable; others may be totally unforeseen. The constructed project may not perform as anticipated because the owner may have unrealistic expectations regarding the delivery time of construction forcing contractors into unrealistic gambles, corner-cutting or commitments that may not be realistic (Frimpong 2003).

Project success can be defined as meeting goals and objectives as prescribed in the project plan. A successful project means that the project has accomplished its technical performance, maintained its schedule, and remained within budgetary costs. Project management tools and techniques play an important role in the effective management of a project. Therefore, a good project management lies in the management tools and techniques used to manage the project. Project management involves managing the resources—workers, machines, money, materials and methods used. Some projects are effectively and efficiently managed while others are mismanaged, incurring much delay and cost overruns and negatively affecting the economy (Frimpong 2003).

Assessing construction projects' delivery time is critical in today's market-driven economy.

1.2 PROBLEM STATEMENT

Construction can be considered as a dynamic industry which is constantly facing uncertainties. These uncertainties and the many stakeholders in these kinds of projects, make the management of costs difficult which consequently causes cost overruns. Therefore, cost overruns are considered one of the most critical issues during the execution of construction projects (Chan, *et al.*, 2004; Doloi, 2011).

As mentioned by Van Der Westhuizen and Fitzgerald (2005), the presence of cost overruns can be a reason for project delays or possible project failures. However this idea has been refuted by many authors who considered that project success depends on many other factors that should be assessed to conclude the success or failure of a project (Chan, *et al.*, 2004).

Moreover, there have been many studies that suggest that the success of a project depends on the presence of certain critical factors which can also change depending on the objective to be met (Iyer and Jha, 2005). In other words, some authors ascertained that there are some critical success factors that help to improve cost performance and prevent cost overruns.

1.3 OBJECTIVES OF THE STUDY

The main aim of the study is to examine various cost control techniques used in construction projects and the impact they have on project delivery. Specific objectives of the study are:

- To identify cost control techniques frequently used by contractors in construction projects.
- To examine problems encountered by contractors in managing construction project cost.
- To determine the impact of cost control techniques on the duration of construction projects.

1.4 RESEARCH QUESTIONS

In order to guide the study and achieve the above stated research objectives; the following research questions were formulated:

- What cost control techniques are frequently used by contractors in construction projects?
- What are the problems faced by contractors in controlling cost in the construction project process?
- What impact does cost controlling techniques have on the duration of construction projects?

1.5 RESEARCH HYPOTHESES

1. **Ho:** Cost control problems do not lead to project delivery failures.

Hi: Cost control problems lead to project delivery failures.

2. **Ho:** Cost Control techniques affect to construction delivery timing and cost

Hi: Cost Control techniques do not affect to construction delivery timing and cost

1.6 SIGNIFICANCE OF THE STUDY

This study will be of importance to building professionals and the general public because it would not only clarify but also create awareness of the extent to which inadequacies in cost control techniques can adversely affect project performance. The study will also help contractors, clients, consultants and all parties involved in construction projects about ways of improving their current method of cost management and control.

The study will also be of great benefit for other student researchers' who may want to venture

into the same subject matter. Having gotten results-both empirically and theoretically, the study will serve as a foundation for future research studies.

1.7 SCOPE OF THE STUDY

The study will cover some selected quantity surveyors from Owerri. All findings and recommendations from the study may not reflect the true view of the traditional roles and changing roles of quantity surveyors as the researcher could not cover a wider area due to financial and time constraints.

1.8 DEFINITION OF TERMS

1. Construction: In the fields of architecture and civil engineering, construction is a process that consists of the building or assembling of infrastructure. Far from being a single activity, large scale construction is a feat of human multitasking. Normally, the job is managed by a project manager, and supervised by a construction manager, design engineer, construction engineer or project architect.

2. Deliverable: Deliverable is a term used in project management to describe a tangible or intangible object produced as a result of the project that is intended to be delivered to a customer (either internal or external). A deliverable could be a report, a document, a server upgrade or any other building block of an overall project.

3. Project management: this is the discipline of planning, organizing, motivating, and controlling resources to achieve specific goals. A project is a temporary endeavour with a defined beginning and end (usually time-constrained, and often constrained by funding or deliverables), undertaken to meet unique goals and objectives, typically to bring about beneficial change or added value.

4. Time: This is a dimension in which events can be ordered from the past through the present into the future, and also the measure of durations of events and the intervals between them.

5. Cost: A cost is the value of money that has been used up to produce something, and hence is not available for use anymore. In business, the cost may be one of acquisition, in which case the amount of money expended to acquire it is counted as cost.

6. Cost overrun: occurs when the final cost of the project exceeds the original contract value at the time of completion.

7. Good cost performance project: Project in which the cost overrun of the project does not exceed 10 percent of the initial budget.

8. Poor cost performance project: Project in which the cost overrun of the project exceeds 10 percent of the initial budget.

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