

MARKETING BY BUILDING CONTRACTORS IN KENYA

**A THESIS PRESENTED TO THE FACULTY OF
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**IN PARTIAL FULFILMENT OF THE REQUIREMENTS
FOR THE DEGREE OF MASTER OF ARTS IN BUILDING MANAGEMENT**

**BY
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D E C L A R A T I O N

I, JAMES NYAGAH GITANG'I, hereby declare that this Thesis is my original work and has not been presented for a degree in any other University.



.....
Signed

DECLARATION OF SUPERVISORS

This Thesis has been submitted for examination with our approval as University Supervisors.



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However, the researcher is responsible for the narrative, opinions and conclusions of the study.

DEDICATION

This work is dedicated to my grandmother MRS. WAIRIMU (NYAMATHIRA) KANYAGO, my late father MR. MOSES GITANG'I KANYAGO and my mother MRS. BEATRICE NYAIGANA GITANG'I for their wisdom, inspiration and encouragement during the course of my education career.

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ABSTRACT

This report presents the findings of a study on how Kenyan building contractors market their services and the problems they face in the process. The basis of the report is a review of the evolution of building contracting business in Kenya. This helps us to discern the development of the business in relation to building contractors' business management policy and practice in relation to the structure of the building industry. It also throws light on the marketing behaviour of building contractors in relation to the characteristics that distinguish building contracting from other businesses in other sectors of the economy. This is due to the characteristics that distinguish building industry from other industries.

The tasks and tools involved in the marketing management process are considered in detail. They include marketing planning, organisation of the marketing programme and evaluation of the performance of the same. The major marketing tools considered are service planning and development, promotional methods, marketing channels and price for the services. These marketing tasks and tools are the core of the marketing management process. They determine the success or failure of how any business organisation sets and achieves its goals in relation to the extent and how they are employed.

To evaluate the marketing performance of building contractors, a theoretical model is employed. The model is developed from common existing marketing management models which are related to the marketing management process. These models are examined to discern their strengths and weaknesses to exploit the former and built on the later for adaption to marketing performance by building contractors.

A total of 105 building contractors and 41 building consultants were interviewed using questionnaires. In addition 55 of the former and 26 of the later were personally interviewed.

Data collected using questionnaires was manually analysed using means and percentages to enable easy interpretation of the findings due to the nature of the variables under investigations. Qualitative data that could not be converted into means or percentages together with information got from personal interviews is presented by way of narratives.

From the results of the study, it is evident that most Kenyan building contractors employ marketing tasks and tools to a small or no extent. They also practice marketing informally in most cases.

A major conclusion of the study is that building contractors do not market their services and those who do, do it poorly. This is mostly due to lack of understanding of what marketing is or its importance in management of building contracting business. Another factor is the extensive use of informal management techniques which tends to hinder effective employment of formal business management techniques. Hence, it is recommended that building contracting business should be managed formally and professionally to enable the effective and efficient employment of marketing tasks and tools for the success of the business.

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CHAPTER ONE

I N T R O D U C T I O N

Construction Industry and Contracting Business

Construction is a vital form of economic activity because it plays a dynamic and vital role in the process of economic growth and development. This makes the construction industry an important sector of any economy of a country that desires growth and prosperity for the well being of its people. The construction industry is mainly sub-divided into two areas of activity namely building and civil engineering. The two areas tend to complement each other because many building projects include some civil engineering works which are needed to make the buildings operative. Major civil engineering works that are not generally directly related to buildings in a complementary way include roads, bridges, railways and dams. These are mainly government funded projects for the benefit of the whole country. Generally buildings take preference to Civil Engineering Projects because they satisfy man's basic need for shelter. This is in addition to them being used for social investment for enhancement of man's well being in provision of formal education and health among other things. However, buildings as a means of further production require civil works for improvement of the economy's infrastructure.

Considering building industry, the main participants in it are the building client who commissions the building project and pays for design and construction services involved in realizing the final building, the construction professionals who design the

project; advise the client on the building contractor to select for the construction of the building and supervision of the project on client's behalf from its commencement to completion, and the building contractor who produces the building in accordance with the contract conditions between him and the building client. The contractor is supplemented in the production process by subcontractors and suppliers of building materials and components. The main contract is between the building client and the contractor. The two are the major parties to the contract. This fact affects the importance of the building contractor in the construction industry in general and production process in particular. However, that fact does not disregard the importance of the other participants in the construction process. They in one way or another enable the contractor to produce the client's building. The contractor translates the client's idea into a reality by interpreting the design of the building (carried out by design consultants) to result in the production of the building structure. The contractor does this by organizing and manipulating the various resources that are required in the production of the building. These resources are mainly capital, personnel, building materials and mechanical equipment. After the contractor completes the building (subject to contract conditions and agreement) the contract between him and the client ends.

According to economists a market is a collection of buyers and sellers who transact over particular products/or services. The sellers exchange goods/or services for money from buyers

who need them. This results in the concept of business which economically is a commercial exchange between buyers and sellers. The concept of exchange gives rise to the concept of market demand and supply. The buyers are on the demand side of the market and sellers on the supply side of the same market. In relation to the building construction industry, the building clients are the buyers while building contractors are the sellers (providers) of construction services required by the clients. This implies that building contractors are in building contracting business. This business can only exist as long as there is demand for the contractors' services by building clients. Therefore, building contractors need to find ways and means of managing the demand for their services to ensure that their business thrives.

Customers are the foundation any business and they also keep it in existence¹. Therefore, the purpose of business should be to create and retain customers². The business firm can do this only by offering goods or services that satisfy the needs and wants of customers. Consequently, it is important to understand how business organizations manage their business in a bid to fulfil their goals and objectives as they try to create more customers. This implies that, the understanding of the supply side of the market helps in the understanding of the demand side of the same market. Business firms on the supply side need to understand the behaviour and requirements of potential customers before they deliver their goods or services to satisfy the latter's needs and

desires. In this way, both sides of the same market are clearly understood and their interactions appreciated.

Statement of The Problem

Due to the important role played by building contractors in the building industry the importance of how they manage their business cannot be under-estimated. This is because the adoption and employment of the best business management techniques enhance formulation and achievement of business goals and objectives and help in solving any problems which might hinder formulation and achievement of goals. Sound business management by building contractors implies that their role in the building industry is recognised and appreciated by other participants in the industry, mostly building clients and professionals. It also ensures that the contractors' image and reputation as business people is given good regard by the government and society but not viewed as people out to make money (profit) with little concern for the needs and desires of clients who want value for money for their projects. This calls for contractors to conduct their businesses ethically with a commitment to business ethics like other professionals who are regarded with esteem by society for their role in the economy.

As a result, building contractors need to manage their businesses in a marketing-oriented fashion. This is out of the conviction that managing business in a marketing orientation helps the business organization to realise its goals than managing a business without employing marketing management techniques.

This arises out of adopting the marketing concept in business management which holds that the key to achieving organizational goals and objectives consists in determining the needs and wants of potential customers and delivering the desired satisfactions more effectively and efficiently than competitors.³ This makes marketing management the key for business management. Consequently, as Drucker⁴ rightly asserts, any organization in which marketing management is not practised or is incidental is not worth being a business and should never be managed as if it were one.

Marketing orientation to business management represents a total approach to business management and enables firms to coordinate and direct all their activities in the most effective and efficient way towards satisfying customer needs at a profit.⁵

In short, marketing consists of the following main activities:-

- (a) Clear determination by the firm the real nature of its business so as to exploit the most important business opportunities available in the market it chooses to operate in.
- (b) Identification of potential customers in the chosen market and their individual needs and desires.
- (c) Organization of the firm's resources so as to meet the identified needs of the potential customers economically and satisfactorily.
- (d) Planning for the future and organizing the firm in such a way that it is flexible to meet and cope with any change that may occur in the market.⁶

Despite the importance associated with adopting marketing orientation to business management, building contractors do not seem to practise their businesses in a marketing oriented fashion like firms dealing with tangible consumer goods. This is confirmed by Fisher⁷, Bessom⁸ and Adrian⁹, among several other authors. The major reasons given for this state of affairs are:-

- (i) The construction industry's basic weakness in areas of business philosophy and policy.
- (ii) Division of the construction process into design and production stages each with different persons responsible and with each of them with different relations with the building client whom they are supposed to work for.
- (iii) Slow evolution of business policy by service providers (mostly building contractors) in the construction industry.
- (iv) Lack of understanding by firms in the construction industry of what marketing is or its importance in relation to business management.
- (v) Belief by most service firms in the construction industry that provision of a better service will make potential clients seek the service provider on the belief that good things sell themselves.
- (vi) Belief by most firms in most markets than when faced with full demand they do not need to use any marketing technique in their operations.
- (vii) Belief by most firms in the construction industry that use

of business promotion methods (mostly advertising and personal selling) devalues their (firms') image and the service they offer.

However, the non-use of marketing techniques has not been confined to construction firms alone. Writers of business issues have also voiced concern for non-use of marketing techniques by service firms in general as much as by manufacturing firms. In addition, even some of the manufacturing firms have a long way to go before they embrace the marketing concept fully.¹⁰

However, during the decade of 80s there has been rapid adoption of the marketing concept by most firms who have discovered its importance. This has gone to the extent that marketing management today seems to be the rule rather than exception in all types and sizes of organizations within and outside the business sector in most developed and some developing countries.¹¹ This is ascertained by the adoption of the marketing concept by professional firms and non-profit organizations mostly in developed countries. The rules of professional associations that prohibit members in advertising, direct client solicitation or price competition has been removed in recent years in developed countries. This has been due to a psychological realisation that there is nothing unprofessional or unethical in making clients more aware of the services offered by professional firms. However, these professional restrictions still operate in most developing countries like Kenya, yet most of the professional associations in these countries are modelled on those of the developed countries who colonized the former.

There are no professional restrictions that prohibit building contractors to employ marketing management techniques in running their businesses. Therefore, there has been suggestions by several authors, among them Fisher¹³, Bessom¹⁴ and Adrian¹⁵ that building contractors ought to adopt the marketing concept in the management of their businesses. This is due to the conviction that there are more gains to business firms that employ marketing management techniques than to those that do not. For building contractors, non-employment of marketing management techniques tends to lead them to employing informal and non-effective management methods that are inapplicable in complex business situations resulting in non-achievement of their business goals and dissatisfied clients, non-economic utilisation of scarce building industry resources with nasty consequences to the economy and loss of recognition and respect of their role in the building industry by the government and other participants (mostly private clients and building professionals) resulting from their poor image as business people due to employment of unorthodox business methods.

But the adoption of marketing concept by any organization entails the understanding of the composition of the marketing function to identify the marketing tools to employ and emphasize on in its future operations in relation to its current operating situation. Each organization has its own goals and objectives plus limited resources in relation to the market in which it operates. In addition, an organization needs to discover the areas of its current operations it is weak in, in relation to the marketing function so that it can

improve on them in subsequent business operations. This way the firm can exploit the benefits of the marketing concept appropriately and consequently enhance the formulation and achievement of its business goals.

Marketing practices by organizations in developing countries are different from those in developed countries. Different social, economical and political systems exist in the said countries. Therefore, marketing practices of building contractors in Kenya can be said to be different from those of their counterparts in other countries (mostly the developed ones).

Most of the existing written works related to marketing by building contractors mainly deals with developed countries and focus on the need for builders to adopt the marketing concept in the management of their businesses. This is cited by Hussain¹⁶, Hamilton¹⁷, Sheehan¹⁸, Franks¹⁹ and Shutt²⁰, among other authors. But the adoption of the marketing concept by building contractors can only be enhanced after a thorough assessment of their current marketing behaviour. This issue has not been considered by authors who suggest that builders ought to employ marketing management techniques in running their businesses. Fisher²¹ and Besson²², among others, have given some of the ways builders in Britain and America market their services. However, the marketing practices of Kenyan builders and most other developing countries have not been documented. This establishes the ground for that kind of research and is the theme of this study. This will help us understand their (builders') policy better as they play their role in the national economy and in the process narrow the said knowledge gap.

Objectives of the Study

The main objective of the study is to carry out a comprehensive investigation to establish how building contractors in Kenya market their services. The task will include the following activities:-

- (a) Examination of the present operation of the building industry in the country in order to identify how building contractors manage their businesses as they react to the prevailing market conditions. This will in turn help us to determine what kind of arrangement they market their services.
- (b) Analysis and evaluation of the existing marketing behaviour of building contractors sampled for the study to establish whether they perform or use any or some of the marketing tools and tasks that constitute the marketing function and if they do to what extent.
- (c) Investigation to determine the most important factors building clients consider (as advised by their construction consultants) when selecting building contractors for their projects.
- (d) Identification of the problems (if any) experienced by building contractors in their marketing efforts and how they (try to) solve them.

Importance of the Study

The study will identify the areas of weakness in the management of building contracting business as pertains to the marketing function. Hence, it will give recommendations in relation to the marketing tools and tasks that building contractors need to emphasize on to enhance

the management of their businesses.

The building contractor cannot be alone per se in the construction process. There are other parties like the construction professionals, sub-contractors and suppliers of building materials whose task is also to meet the desires of the client. This is confirmed by the concept of sound project management whose main objective is to meet the desires of the building client.

Sound project management is in harmony with the marketing concept because the later also focusses on client satisfaction. As a result, the study recognizes the important roles played by other parties in the whole construction process in a bid to satisfy the building client. Therefore, it can be appreciated that the study is beneficial to building clients, building contractors and all other parties that work in conjunction with the contractor to ensure that the goals of the client are met. The study is also beneficial to academics and other researchers because its findings may stimulate them to undertake further research in relation to the issues raised. All people concerned with good performance of the building industry need to appreciate the economic use of available resources as it plays its role in the growth of the national economy and provision of shelter to man.

Hypothesis of the Study

It is the general hypothesis of this study that the achievements of Kenyan building contractors businesswise have been poor because they do not market their services. The main aspects of poor

performance through failure by building contractors to market their services are those implicitly related to their business goals and their image as business people. These include the growth of the firm in terms of portfolio of fixed assets arising from profits of building projects undertaken per year, the growth of the firm in terms of employing more professionally qualified staff on a full time basis, the growth of the builders' market share in the market sector the firm operates in despite stiff competition from other contractors in the same sector, the firm's ability to handle more than one job at the same time to the satisfaction of clients and having a business policy not to tender for jobs the firm is not ready to undertake when awarded. This is on the presumption that effective employment of marketing elements in the management of a business enhances the formulation and achievement of business goals and satisfaction of clients served than non (or ineffective) employment of the said elements.

The way Kenyan building contractors currently manage their businesses portrays the lack of the employment of the marketing tool due to one or a combination of the following reasons:-

- (a) Ignorance and/or lack of understanding of what marketing is and its importance in relation to the management of building contracting business.
- (b) Lack of business management skills including those related to marketing management techniques by the firm owners who manage their firms and are reluctant to employ personnel with business management skills.

(c) Reluctance of managers (as owners) of building firms to change their traditional business management methods which they consider effective and efficient though in the real sense the methods (most informal) are unorthodox and/or mediocre from a business point of view.

Hence, the managers are unable to effectively manage changes that occur in the building industry for the benefit of their firms.

Scope of the Study

The study mainly deals with the marketing behaviour of building contractors. The marketing function is considered apart from other business management functions because it is the one that integrates the others and hence enhance the business management process. Only building contractors are considered apart from other parties working for the building client because the main contract for a building project is between the client and the main building contractor. Civil engineering contractors were not considered because it is the conviction of the researcher that most construction contractors combine buildings with civil works with the former dominating the construction industry. Further, buildings are commissioned by both public and private clients while civil works are mainly commissioned by the government for the benefit of the whole population.

Only building contractors registered by the Ministry of Public Works (referred to as M.O.W. in the remainder of the study) were considered. The M.O.W. register of building contractors was the

most easy way to get the contractors' telephone and/or postal address for contact. This facilitated the administering of questionnaires and sampling procedure adopted since not all building firms in the register were considered due to their very large number which could have made it physically impossible to conduct a census. Building contractors not registered by M.O.W. were not considered. There was no formal record to enhance contact with them which was vital for the field study. Further, government building projects and those of most well established (financially and in terms of organization) private clients are only awarded to building contractors registered by M.O.W. This is apparent from advertisements for building project tenders by clients in the local press. Also, most private client organizations that register building contractors consider only those first registered by M.O.W. as a legitimacy to conducting building contracting business.

Only building contractors within Nairobi area were considered because of the limited finance and time for the study. It was the conviction of the researcher that given the general similarity of building contracting business, a sample from within Nairobi would be a good representative one. This is further emphasized by the fact that most building contractors who operate within Nairobi have other business branches or can tender and carry out building jobs outside Nairobi. The nature of the study also emphasizes the adequacy of dealing with building contractors within Nairobi. The study seeks to identify the marketing behaviour of building contractors.

In addition construction professionals mainly associated with building projects were considered. This is because in most cases building clients with little or no technical knowledge of the building industry employ building consultants to act as a link between them (clients) and other parties in a building contract. The consultants considered are architects, quantity surveyors and civil or structural engineers operating within Nairobi where most of them are concentrated. The ease of accessibility to building contractors and consultants made it possible to fit the field work within the limited finance and time available for the study.

Methodology of the Study

To compile a list of building contractors to be interviewed, the researcher perused the 1984 M.O.W. register of building contractors at M.O.W. headquarters in Nairobi. The register was the most current one at the time of the study. It lists all building and/or civil engineering contractors and sub-contractors in alphabetical order with their telephone and/or postal addresses. Generally, the building contractors are classified according to the money value of work they can undertake. Hence, there are eight categories of building contractors designated A, B, C, D, E, F, G

and H from the highest to the lowest. Each category designates the money value limit of work a contractor under it can undertake as illustrated below.

| <u>Category</u> | <u>Work Value (K£.Million)</u> |
|-----------------|--------------------------------|
| A | 30 million and over |
| B | 20 - 29 million |
| C | 10 - 19 million |
| D | 5 - 9 million |
| E | 2.50 - 4.90 million |
| F | 1.50 - 2.49 million |
| G | 0.750 - 1.49 " |
| H | 0. - 0.74 " |

A total of 876 building contractors with Nairobi phone/or postal address were compiled from the register. They were distributed in the different work value categories as follows:-

| Category | A | B | C | D | E | F | G | H | Total |
|--------------------|----|----|----|----|-----|-----|-----|-----|-------|
| No. of Contractors | 63 | 70 | 79 | 84 | 104 | 121 | 156 | 199 | 876 |

Source: M.O.W. Register of Contractors 1984.

Not all the 876 contractors could be interviewed. The finance and time for the study were limited. In addition, due to the general similarity of building contracting business it was the conviction of the researcher that a sample of the population would provide the

information required. Most of the information was of a qualitative nature requiring extensive use of questionnaires due to the framing of the questions. To solicit such information would not have been possible with oral interviews only with the respondents.

In order to obtain the sample of contractors to be interviewed in each category, a percentage of 23% was employed. This is because 23% was the highest percentage representing the majority of contractors in category H in relation to the total number compiled. The percentage was got by computing $(199 \div 876) \times 100$. This gave rise to a total of 201 contractors as shown below.

| Category | A | B | C | D | E | F | G | H | Total |
|-----------------------|----|----|----|----|-----|-----|-----|-----|-------|
| Number of Contractors | 63 | 70 | 79 | 84 | 104 | 121 | 156 | 199 | 876 |
| 23% | 14 | 16 | 18 | 19 | 24 | 28 | 36 | 46 | 201 |

Then the 201 contractors were selected randomly from each category. The sampling process was systematic stratified sampling. The population data for the study was stratified and systematically arranged. Each category of contractors represents a stratum. The alphabetical arrangement of the contractors represents a systematic arrangement of the population. The concept of equiproportionate sampling justifies the adoption of the same percentage of 23% in each population stratum because it is the percentage that represents the stratum in which majority of the population lies.

The first contractor appearing in each category was selected. To determine the next contractor to be chosen in any category the class interval in the category was used, for instance in category A to select 14 contractors from a total of 63, the first contractor appearing on the alphabetical list of category A and every 5th one were chosen. Five was the class interval employed in this category got by computing $63 \div 14$. The same process was applied in all other categories.

From the total of 201 contractors sampled, 110 had both phone and postal addresses while 91 (13 in category E, 19 in F, 24 in G and 35 in H) did not have telephone contact but only their postal addresses which were counterchecked in the Kenya Post Office Directory of 1988, Yellow Pages Directory of 1989 and Kenya Business Directory of 1990. This was to determine whether they (contractors) had changed their postal addresses appearing in the M.O.W. 1984 register. The telephone and postal contacts of the other 110 firms (with both telephone and postal addresses) were counterchecked in the same directories to confirm whether the firms had changed them or not.

After counterchecking the 91 contractors with telephone contact, 43 of them were found to have changed their postal addresses, 46 were still using 1984 addresses while 2 firms in category H could not be traced in any of the said above directories. The researcher decided to consider 45 firms out of the 89 and excluded the 2 with no

postal contact. The 45 firms were selected randomly from a total of 89 considering the odd number firm from the alphabetical list. For example in category E contractors Nos. 1, 3, 5.....13 were selected. Though this represents 48% of 91, the researcher considered the sample adequate because of the expense of sending them questionnaires through the post. The final list of building contractors sampled for the study consisted of 110 firms with both phone and postal address and 45 with postal address only making a total of 155 firms.

Construction professionals interviewed for the study were compiled from the building contractors visited by the researcher during the first phase of the field survey for the research which mainly dealt with administering questionnaires to the contractors. Sampling of building consultants was performed in such a way that where a given consultant had worked with a given building contractor (on the contractors' sampled list visited) as a client's adviser in past or ongoing projects more than once, the said consultant was chosen for interview. By serving as a link between building clients and contractors, building consultants were supposed to provide supplementary information in contrast to building contractors who are the main focus of the study. By this method a total of 52 private consultants were identified. They comprised 26 architects, 15 quantity surveyors and 11 civil or structural engineers. M.O.W. construction professionals were also interviewed because they are the ones who act as consultants for most governments building projects except those that are exclusively commissioned to private consultants.

The primary data for the study was collected using questionnaires and personal interviews with the respondents. Before questionnaires were prepared the researcher held extensive discussions with the supervisors of the study and Dr. K'Obonyo of the Faculty of Commerce in the University of Nairobi. The researcher also acted on criticisms from lecturers of the Department of Land Development following seminars held in the department to review and discuss the progress of the study projects being undertaken by the masters students in the said department. In addition, the researcher made a preliminary survey by visiting or telephoning random building contractors and construction professionals to establish whether the kind of information required for the study could be got in the field and a positive response was got. Further, the researcher did extensive literature review as a part of the process for gathering secondary data from published and unpublished works in books, magazines, dissertations or papers by other scholars in relation to the field of the study. This formed part of the library information search for the study.

Literature review helped in the formulation of the research topic and also design of the questionnaires for the field work survey. The main areas considered in the literature review are those that dealt with marketing management generally, marketing of services generally and particularly construction services related to the structure of the building industry. The search for information in the library was undertaken from October 1989 to March 1990 and again in September and October, 1990.

The questionnaires for building contractors consisted of two sections. One section consisted of a series of questions with ranking order scale responses ranging between to no, small, moderate and great extent. This is to denote the extent the respondents employ marketing elements in their business. The measures that determine the extent to which a firm employs the marketing elements are those related to the contribution and facilitation made by the marketing elements to formulation and achievement of the firm's goals. Hence, the greater the contribution a given marketing element makes in formulation and achievement of business goals the greater the extent the firm should employ such an element.

The effectiveness of a firm's marketing policy and commitment to the same can be reflected by the performance rating of each marketing tool studied. Then, aggregating the total score rating for all marketing tools for all firms studied and comparing it to established mean score ranges corresponding to marketing performance indicators help us to know whether the respondents' marketing performance is poor, fair, good or very good depending on whether they employ marketing elements to no, small, moderate or great extent to enhance in formulation and achievement of business goals. This in turn helped the researcher to draw conclusions of the study in relation to the hypothesis of the study.

The other section consisted of open ended and structural questions which facilitated the understanding of information resulting from section one. This was because the data obtained this way was of a qualitative nature. Therefore, careful design of the questionnaires was essential to minimize biased response to the questions in relation to the information being sought.

The questionnaires targeted to construction professionals consisted of open-ended questions. The qualitative nature of the information required determined how the questions were framed to enhance response. The questions mainly focused on the pertinent issue of the study to minimize non-response since the consultants were not the main focus of the study. The information obtained supplemented and consolidated the one obtained from building contractors.

Questionnaires for building contractors and consultants whose offices could be located were hand delivered for later collection. A tentative period of two weeks and one week was given the respondents respectively to give them ample time to fill them. Delivery of the questionnaires was undertaken after establishing the offices of the respondents from M.O.W. register or telephone or business directories. The questionnaires were accompanied by covering letters with a brief explanation on the

purpose of the research. The researcher employed three research assistants to help in the administering and collection of the questionnaires.

Questionnaires for building contractors with no telephone contact or non-identifiable business premises were posted to respondents in self-addressed and stamped envelopes to encourage response.

Personal interviews with some building contractors and consultants were also carried out. The firms that were interviewed were randomly selected from each category. In both cases a sample of 50% was considered adequate due to limited travelling finance and time for the mission. For instance, in category A to select 7 out of 14 contractors the integers 1 - 14 were written on small pieces of paper which were then folded and put in a small tin. The tin was then closed and shaken thoroughly. The number of firms required was chosen by picking the folded papers after shaking the tin. The same procedure was repeated for building consultants. In case where there was an odd number total number of firms to chose from the nearest whole number of 50% was considered for the sample. From the said sampling procedure a total of 55 building contractors were sampled from a total of 110 with 7 in category A, 8 in B, 9 in C, 9 in D, 6 in E, 4 in F, 6 in G and 6 in H. A total of 26 building consultants were selected from a list of 52. They comprised 13 architects, 8 quantity surveyors and 5 civil or structural engineers.

All firms selected for personal interviews were requested to offer the researcher audience during the time of delivering the questionnaires. The interviews were held during the time of collecting the questionnaires. M.O.W. building consultants were also interviewed. An interview guide for building contractors was prepared prior to the interviews to enhance the interviewing process. Interviews with the construction professionals were undertaken informally. Discussions dealt with issues raised in the questionnaires. The interviews for building contractors lasted for an average of 30 minutes and for building consultants 20 minutes. During the interviews the researcher took brief notes, and then wrote a summary of the information collected immediately after the interview. The researcher assured the respondents that all information collected was to be treated as confidential material. For example, the respondents were assured that their names will not appear in the final thesis. This enhanced the response from the respondents. Field survey for the study was undertaken between April and August 1990.

Data from the fieldwork was analysed manually. It was felt that manual interpretation of the research findings would be appropriate because of the qualitative nature of the variables under investigation. This also implied that it could be easy for the reader to comprehend and understand each of the study variables separately and consequently draw any relationship

between them easily and clearly. Arithmetic means and percentages are used to show what proportion of the sample rates in each of the variables considered in the study. Data got through personal interviews is presented by way of narratives which is also employed to elaborate data presented in tables.

To facilitate data analysis a score rating of 0, 1, 3 and 5 was attached to each of the four responses to denote whether a given firm employs each of the marketing elements considered to no, small, moderate or great extent. 56 marketing attributes to which a score rating could be attached were considered. This implies that the total mean mark the studied firms could score if they employed all marketing elements to a great extent is $56 \times 5 = 280$, where 5 is the maximum score rate for each marketing element a firm employs to a great extent since it has a maximum contribution to formulation and achievement of business goals.

To discern the overall marketing performance of the studied firms, four mean score ranges of 0 - 70, 71 - 140, 141 - 210 and 211 - 280 were established to indicate if the firm's marketing performance is poor, fair, good or very good. A class interval of 70 was got by computing $280 \div 4$ where 4 represents the score ranges and the number of performance rating for each marketing attribute considered.

Aggregation of the mean score for all respondents and comparing it to the score ranges to know if the firms employ marketing elements to no, small, moderate or great extent in turn help us to determine

if their marketing performance is poor (0 - 70), fair (71 - 140), good (141 - 210) or very good (211 - 280). This in turn helps us to draw conclusions of the study in relation to the hypothesis put forth and the findings of the research.

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CHAPTER TWO

EVOLUTION, CHARACTERISTICS AND MARKETING MANAGEMENT APPROACHES IN THE CONSTRUCTION INDUSTRY.

The aim of this chapter is to discuss the issues the researcher considers the basis of the study. This is to help us identify and discern the nature of the study in relation to its objectives. The issues considered are:-

- (i) Evolution of building contracting business in Kenya.
- (ii) Approaches to marketing management.
- (iii) Unique characteristics of the building industry and their marketing implications on management of building contracting business.

Evolution of Building Contracting Business in Kenya

An appraisal of the evolution of the building contracting business in Kenya is considered relevant to the study because it will help us to discern how building contractors in Kenya have developed their marketing policy in relation to their business management practices. It is also hoped to enhance the understanding of the present structure of the building industry and business practices of the country's building contractors. This in turn is hoped will help explain the contractor's current marketing behaviour in relation to their past marketing performance.

The case for relevance of studying the history of the behaviour of building contractors is put forth 'by Newcombe'¹. He explored the link between business strategy and organizational structure of construction firms in Britain and found out that their evolution followed the evolution of the firm's business management practices and growth. He also found that construction firms adjusted their organizational structures in order to pursue particular business strategies as they grew in contracting business.

Building contracting business in Kenya today is modelled in the British fashion due to the country's colonization by Britain in the early 19th century. Before colonization building contracting business had not taken root. Local people generally built their own dwelling houses according to their existing traditions.

As Britain colonized Kenya, the colonizers imported their business styles into Kenya. The British acted as main building contractors while Africans acted as helpers and provided unskilled labour. As the colonizers established themselves they started training some Africans in basic construction skills like masonry and carpentry to help the former in construction business². After annexing Kenya to Uganda in 1895, the colonizers ordered the construction of Kenya-Uganda railway. This caused a high demand for construction labour which made the British administrators to bring Indian labourers on contract to meet the demand. The labourers were accompanied by skilled and semi-skilled building

craftsmen who took the opportunity to come to East Africa in search of higher standards of living. After settling, the Indian building craftsmen set up building contracting businesses almost similar to those of the British. This resulted in a situation where building contracting business (during the colonial period) was carried on by a few European contracting firms specializing in civil engineering projects, many Asian firms specializing in buildings and trading of building materials and a few Africans in buildings only. The Asians dominated the construction industry as in other sectors of Kenya's economy³.

The most common and dominant feature of building contracting business during the colonial period was that building contracts for the government were awarded to building contractors registered by M.O.W. (Public Works Department by then) by open competitive tendering. Contracts for private clients were awarded to contractors (registered by M.O.W. or not) by negotiation with the client supplying materials and the contractor labour or both. At the same time, the rural community continued to built their dwelling houses in their traditional ways.

As before independence, Asians continued to dominate building contracting business after independence. After independence, the government through the M.O.W. began to reserve small government jobs for African builders to help them grow in contracting business. In addition, for large projects a bias clause in tenders was introduced in favour of African contractors. Any African firm tendering for a

large project and was closest to the lowest Non-African Contractor and agreed to reduce his tender price to that of the lowest Non-African bidder could be awarded the tender. For projects worth upto Kshs. 5 million, there was a bias of 5% (in favour of African bidders)² 1% for projects worth Kshs. 5-20 million and 1% for projects worth Kshs. 20 - 50 million⁴.

In the first five year Development Plan of 1965 - 69, the government announced plans for Africanizing (Kenyanizing) the construction Industry⁵. This was in an attempt to reduce the foreigners (mostly Asians) dominating the construction industry as in other sectors of the economy. As a result, by 1967 there were 11 large European owned contractors, 33 large Asian owned contractors (with a minimum capital invested in fixed assets and a core of permanent skilled staff), 76 small Asian firms (of a one man kind) and just under 20 African owned firms (many of them existing in name only)⁶.

In mid 1967, the government established the National Construction Corporation (N.C.C.) which in 1972 was transformed into a parastatal organization⁷. The main objective of N.C.C. was to assist African contractors get established in the construction industry. N.C.C. was to help them obtain work from the government and then to carry out the work by providing them financial credit for mobilization, advice on construction business management and training in construction management techniques⁸.

In 1968, African contractors formed the Kenya Association of African Contractors (K.A.A.C) whose main aim was to put the entire building industry in African hands, promote measures and take steps for the protection of interests of African contractors⁹. The association had about 400 members with branches in every province in the country and operated in conjunction with N.C.C. In 1977 K.A.A.C. was dissolved due to "poor leadership and hostile construction business environment"¹⁰.

By 1980 N.C.C. was insolvent. By 1983 it had a debt of Kshs. 14 million¹¹. In 1987, the government dissolved N.C.C. mostly due to financial mismanagement. The corporation had a great deal of autonomy and depended on the treasury for its recurrent costs with no means of accounting for any profit generated¹².

From the review of the growth of building industry and contracting business in Kenya, we observe that the development of marketing management approach to management of building contracting business in the country was hampered by the government through its move to "Kenyanize" (Africanize) the economy. Establishment of N.C.C. made African contractors complacent in their business management approach and decelerated their growth as enterprising building firms because they were always certain of jobs (with few problems looking for them especially from the government) and any associated help to carry them out. The African contractors took very little initiative to

adopt to the changing business environment in the building industry as the country developed after independence. Therefore, many current operating African contractors in the country did not exist during the hey-days of N.C.C.¹³

On the other hand "Kenyanization" of the building industry seems to have made non-African contractors, mostly Asians, to manage their businesses seriously and efficiently in a bid to prove their capability as building contractors and also counteract the "Kenyanization" move which seemed to discriminate them. By reacting positively to the Kenyanization of the building industry by the government, this ensured their continued viable existence as business entities. This may be presumed by their action to introduce and/or employ and adopt new business management techniques which consequently seems to have led to their continued domination of the building industry up to the present.¹⁴ But whether they employ and/or adopt marketing management techniques better than African building contractors is another issue that needs consideration to explain and help us understand their dominance. Though the government has a social obligation to indigenize the economy for the benefit of all citizens, it should also ensure that there is fair competition between suppliers of goods and services, more so in a free market economy (with many suppliers) without disregarding the desire of the consumers to get value for their money. This enhances the growth of entrepreneurship and makes firms operating in any sector of the economy (like building industry) to shed out-dated business management practices and introduce and/or adopt new ones to cope with competition and changing business environment.¹⁵

Approaches To Marketing Management

Every organization needs an operational policy or philosophy to guide its activities for them to be effective and efficient in a bid to achieve set goals and objectives.

Marketing management is a business policy or philosophy that guides an organization which is business conscious in the pursuit of its goals and objectives. It also forms the basis of all other organizational policies since it guides them in the goals pursuit.

There are four main approaches to marketing which are related to the evolution of marketing management philosophy in business organizations and a country's economic development. They are production approach, product approach, selling approach and marketing approach. The appraisal of these approaches to marketing management helps us to discern whether or not building contractors are marketing oriented in their businesses.

Production Approach: This approach to marketing management holds that business managers are only concerned with production. They only concentrate on achieving high production efficiency. This is mainly prevalent in the manufacturing sector of the economy of developing countries in their primary level of economic development which is characterized by production and sale of agricultural products mostly cash crops. This approach to business management exhibits very little marketing orientation.

No selling effort or customer satisfaction is considered by the producers. In the building industry, production oriented building contractors mainly concentrate on tender prices¹⁶. They aim to be on as many tender lists as possible regardless of the success rate of the tenders, selling of their services before they have a chance to tender and satisfaction of clients in case they get jobs. This implies little marketing orientation to building contracting business management.

Product Approach: This approach holds that business managers focus their energies on making good products or providing good services. They assume that consumers will buy products or services of high quality and reject those of inferior quality on the presumption that a good thing sells itself. Building contractors adopting this approach to business believe that good buildings they produce is all that counts on the assumption that good buildings will make potential clients seek the contractors' services. Managing a business that way is suicidal in a highly competitive market (like construction)¹⁷. It wrongly assumes that consumers are aware of the products or services on offer and their qualities such that they will buy them without any persuasion from the suppliers.

Selling Approach: This approach holds that consumers if left alone will not buy enough of a firm's products or services. Therefore, firms must undertake aggressive selling and promotion of their products or services. But some firms equate selling to

marketing. This should not be the case since selling is only one aspect of the marketing process. The emphasis of this approach is for the firms to get known by clients instead of focusing on client's needs and satisfaction. Firms wrongly assume that business success is mainly due to being well known in the market.

Though good reputation is vital for business, in the long run clients expect action and not mere sweet talk. Therefore, the approach needs to be handled properly lest it damages a firm's reputation. Consumers (mostly of services) distrust the concept of salesmanship. They see salesmen as trying to sell "bad" products or services since good ones should sell themselves. Therefore, firms need to undertake effective selling management instead of waiting for business opportunities from potential clients. Also, selling does not demean a firm or cheapen the service being sold.

Marketing Approach: This approach holds that the key to achieving organizational goals consists of determining the needs and desires of customers and profitably delivering the desired satisfactions more effectively and efficiently than competitors¹⁸. It is a business philosophy based on the belief that a firm's goals are best achieved by identifying, anticipating and satisfying needs and desires of clients. Therefore, the approach is the best of all the approaches to business management and makes any business organization to be marketing oriented. The other approaches to

business management makes marketing incidental in the concerned firms since the client is not made the main focus of the business.

Unique Characteristics of the Building Industry

The building industry has characteristics which differentiate it from other industries making it worthy of separate treatment. The characteristics also differentiate building contracting business from other businesses because they influence positively or negatively how building contractors manage their businesses and hence how they market their services. The understanding of these characteristics helps building contractors to operate their businesses effectively since their positive effects can be exploited effectively and negative ones prevented.

These characteristics are:-

1. The final product of the building industry is large, heavy, expensive and is generally not mobile but fixed in a particular position for all time where it is built. This implies that centralized mass production of component parts or their prefabrication is limited. Therefore, transport cost of component parts or sections of the building structure to the site for assembly is substantial. This requires a contractor to have enough capital to cope with the cost. In addition, buildings are not produced in advance of demand except speculative buildings which are later sold by the developers to needy clients. This implies that the continuity of production by building contractors depends upon the maintenance of continuity of demand for buildings by clients. As a result, building contractors need to find ways of coping with such kind of demand to ensure that they thrive in business.

2 The nature of demand for buildings is what is essentially called by economists derived demand. This kind of demand is strongly related to the state of the economy and therefore fluctuates with the economy. This makes continuous demand to lack in the building industry because the economy is either good or bad at any given time. Therefore, building contractors need to have business strategies to cope with the fluctuating demand resulting from economic changes.

3. Being responsible for about half of the demand in the building industry the government greatly affect directly or indirectly the demand by other private clients. This implies that building contractors cannot rely on private clients only for building projects. This is more so where the government is responsible for registration of building contractors as businessmen and where building contractors not registered by the government cannot be awarded government jobs. This calls for building contractors to establish and maintain good relations with the government.

In addition, the government affects the operation of building contracting through its regulation in building standards, land use and planning legislation in relation to regional and urban development. In any project a building contractor is involved, he must adhere to the building by-laws of the local authority in which the project is located in addition to laws that regulate land use in the particular area.

4. The demand for buildings is fragmented among public and private clients and attempts are rarely made to coordinate the demand in a rational way¹⁹. Therefore, building contractors need to know the factors that influence building clients when selecting building contractors. This way building contractors can integrate and coordinate demand among clients and also enhance the way to satisfy any client served.

The expensive nature of buildings makes building clients critical of the way they are built. The larger the financial outlay in any undertaking the greater the difficulty to satisfy clients²⁰. Because of the amount of time, resources (mostly money) and procedures required before a building is completed, building clients expect very high standards of quality in the final building. Therefore, contractors need to ensure they meet the expectations of any clients served which in turn helps their businesses to grow since satisfied clients can talk to potential clients about the contractors' good service delivery.

5. The labour in the construction industry is mostly casual in nature. Building contractors have little incentives to invest in many permanent employees. Contractors have little or no knowledge or foresight of future workload because of the fluctuating demand for buildings. For the same reason contractors use (domestic) subcontracting when they have work which is beyond their resource capacity. However, use of casual labour and subcontracting affects contracting business because it is very hard to manage labour productivity on site successfully. Therefore, contractors need to find ways to manage casual labour and domestic subcontractors properly so as not to jeopardize their businesses.

6. There are no entry barriers into building contracting business. Therefore, competition for building jobs is very stiff due to the large number of contractors in the market. No

contractor has any monopoly power in the market except where he is limited by resources or performance capability. Therefore, the contractor who manages his business properly by satisfying any clients he serves curves out a market share for himself despite the competition in the market. An enterprising contractor also needs to promote his services to win potential clients especially when demand for buildings is low. As a result, good service delivery and proper education to potential clients related to their building needs and the services the contractor is ready to offer to satisfy those needs helps business conscious contractors to face competition in the market with confidence.

7. Building contractors price for the services they are supposed to apply to result in the final building by estimation. The building is priced for before it is built. This is a risky exercise for the contractor because he cannot reconcile his production costs and revenue with certainty. Further, the general economic theory does not deal adequately with this type of price determination. Other factors that make pricing of construction services difficult are:

- (i) The contractor has to price for the building from the client's point of view because the latter is responsible for its conception.
- (ii) The client determines the degree of competition for his job and any contractor who is involved has to contend with it. The client determines the number of

contractors to tender for his job. When more than one bidder is involved, this makes pricing for the project more uncertain because the bidders do not know how many of them are competing or the price each of them is prepared to quote. Each bidder in such a situation is constrained by the anticipation of the behaviour of competitors.

- (iii) Most clients base their decision on which contractor to select on price alone without considering the quality of the service.
- (iv) The price of building materials and labour often change during the contract period which sometimes can be as long as five years. It is very hard to forecast such future price increase with certainty at the time of tender.
- (v) During construction progress the client may bring up variation orders to suit his needs in relation to the building. A contractor can do little about this during tender time but hopes that he will be properly paid for such variation orders especially when there are no clear basis of their valuation in the contract agreement, the client's tendency to underpay notwithstanding.
- (vi) The services offered by contractors are non-resaleable. Each tendering situation for a single project is a chance for contractors to quote the

highest possible (optimum) price with no risk of clients reselling the services. Also, the price quoted does not affect that quoted in previous tenders with other clients. Therefore, it is in the interest of a contractor to determine how best to exploit the opportunity availed by any tendering chance.

- (vii) The contractor needs some profit and revenue for overheads to make his business worthwhile. The percentage to cover profit and overheads in a tender is hard to determine with certainty because it must be balanced against the chance of winning the tender (especially a competitive one).

For all the above reasons, a contractor needs a tendering strategy to help him price for his services in a manner that will help him win the tender, meet his business objectives and satisfy the client.

8. In most building projects building contractors are not involved in the design of the project. Only construction professionals employed by the client are involved except in rare cases where clients hire design and construction services from one organization. However, these types of contracts (package deals) are not very common in Kenya. A contractor not involved in design of a project has little or no control over the specifications of the building he is supposed to produce. This inhibits his

efforts of excelling in service delivery because his ideas resulting from experience in previous projects are ignored yet they can help in the formulation of an economical design for the benefit of the client. It can also help the contractor to price for his services in a realistic manner and enable the project start early. As a result, building contractors need to conduct a comprehensive campaign to correct the poor public image caused by the separation of design and production process which makes them inferior to construction professionals.

9. In any building contract, the building contractor is reluctant to find fault with or take legal action – against the client or against the client's consultants when either of them violates any of the contract conditions. The contractor is pitted against the client as an employer and the consultants as the client's advisers. The contractor fears that any conflict with the client or his consultants might jeopardize his business because the client may refuse to pay for work already done, refuse to award him work in future or spread baseless malicious rumours to potential clients. The client's consultants might also unreasonably victimise the contractor in future jobs they might be together. The contractor seems to be at the receiving end in any contract he undertakes because he is reluctant to fight for his rights in the contract. This makes building contracting business very risky because the contract conditions do not seem to help the contractor as

expected. He cannot enforce them as they empower him to in case the client violates them. Therefore, personal tact and business acumen is needed by building contractors to deal with building clients and their advisers successfully in addition to the contract conditions.

10. The building team is dissolved after completion of each project. This implies that the development of a continuous working relationship between the building contractor and other participants in the construction process is impossible. This is made worse by the fact that the moment a contractor starts a project he is aware that as the project progresses he is working himself out of job. This implies that when a contractor is on one project he is supposed to be thinking of where and how to get another one after the current one is over. As a result, the building contractor needs to maintain the good temporary working relationship established with the client and other participants (mostly construction professionals) in any given project he undertakes. This is because the client who is satisfied by the contractor's performance can award him more work in future and/or together with satisfied construction professionals can inform potential clients about the contractor's good performance which can enhance his chances of being awarded jobs by other clients. This way the contractor can use past projects to form the basis for future ones. This lessens his worries of where the next job will come from when he is working on another especially when demand for buildings is very low yet he needs money to cover his

fixed costs even in absence of a job. It also makes his business future a bit certain.

11. Prior experience in building construction is a factor prospective clients consider when awarding jobs to building contractors. This is a problem for contractors who are new in business because they are presumed to lack experience. A building contractor cannot promote his newness in business the same way a product manufacturer would promote a new product. Therefore, a new building contractor needs to find ways and means to overcome such a hurdle to establish and consolidate his business in a bid to obtain a market share especially in face of stiff competition from already established firms. He can do this by taking advantage of those firms who are in the process of exiting from the market due to their own failure or complacency since there are no exit barriers.

In concluding this chapter, we observe that the government has not allowed an enabling environment for the growth of the marketing policy and philosophy of Kenyan building contractors. The government's action to help African building contractors and later withdrawing the help and neglect non-African contractors seems to have adversely affected the building industry. The government's action seems to have decelerated the growth of African building contractors and set the stage for their dominance by non-Africans who took their businesses seriously to counteract the government's action which seemed discriminative. The government's action to withdraw the help later also seems to have set the stage for the growth of African building contractors who wanted to take building contracting business seriously.

Regarding marketing management approaches to business management, we conclude that there is need for building contractors to adopt and adapt the marketing approach to their business management to enhance the formulation and achievement of their business goals and satisfy any client served.

In relation to the characteristics of the building industry, the one that contractors need to consider most is tendering strategy because it enables them to price for their services and help them to win the tender, meet business objectives especially of growth or existence and satisfy the client served. This is because a contractor cannot exist or grow without jobs especially when demand for construction services exist.

Summary

This chapter has considered the evolution of building contracting business in Kenya in relation to the development of the marketing policy and practices of Kenyan building contractors. This enabled us to understand and hence discern the present structure of the building industry and business (and hence marketing) practices of the country's building contractors.

Various approaches to marketing management mainly production approach, product approach, selling approach and marketing approach and their relation to business management has been considered.

This enabled us to determine that marketing approach is best for adaption to business management.

Regarding the characteristics of the building discussed in the study, this enabled us to discern the most and least important that contractors need to put maximum and minimum consideration in managing their business.

The issues discussed in this chapter form the basis of Chapter Three which discusses the marketing elements that needs to be employed by building contractors to help them in the formulation and achievement of their business goals and objectives.

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CHAPTER THREE

MARKETING MANAGEMENT BY BUILDING CONTRACTORS

The aim of this chapter is to discuss the crucial marketing tools that need to be employed during the management of a marketing oriented business organization. The aim is to relate the relevance of the marketing management process in service businesses to building contracting. This is because the employment of marketing tasks and tools in an effective way helps a marketing oriented firm achieve its business goals in a better way than a firm that claims to be marketing oriented but does not practice any marketing or employs only a few ineffective marketing tools.

The success of a business depends on the marketing tools employed and how they are employed. The marketing tools are the core of the marketing management process which integrates and controls all other business management functions or departments. The marketing tasks and tools can be used to measure how a given firm like a building contractor practises marketing. The marketing performance can be reflected in the degree to which a firm employs the marketing tasks and tools and how it organizes them to set and achieve its goals. Therefore a marketing oriented firm needs to identify marketing tasks and tools with positive and negative contribution towards the setting and achievement of the firm's goals. This enables the firm's top management to capitalize on the marketing inputs with positive contribution and discard or pay less emphasis on inputs with negative or no contribution to the success of the marketing programme. This enhances the

optimal allocation and utilization of the firm's resources.

The functions discussed are marketing planning, marketing research, formulation of marketing goals, determination of target markets, design of the marketing mix, organization and control of the marketing programme.

Marketing Planning

This is the process of preparing a marketing plan that enhances the growth of a firm's business. The process continuously aligns the firm's business mission with its resources and business opportunities in the market place in the long run.

Marketing planning may be formal or informal. The latter is not systematic and comprehensive implying that it cannot be very useful to the marketing oriented firm. However, more often than not it is easy for firms who practice informal marketing planning to claim and/or think that they are practising formal marketing planning. Formal marketing planning (which needs to be practised by a conscious marketing oriented firm) involves determination of business opportunities, formulation of marketing goals, determination of target market(s) to operate in and design of a strategic marketing mix to employ to achieve the set goals.

The need for marketing planning by building contractors arises due to their limited resources, decision constraints from the business environment, business risk and uncertainty due to

lack of continuous demand for building services and behaviour of clients and construction professionals during project progress. Planning perhaps in decision making, optimal allocation and utilization of business resources and also helps the firm to adapt to a dynamic and complex market.

Determination of the firm's business opportunities entail having relevant information about the environment in which the firm operates. This implies that a marketing oriented firm needs to establish and maintain a marketing information system. The system provides pertinent, timely and accurate information that helps the firm's top management in decision-making. A formal marketing information system is a dynamic and interactive structure of people and equipment (mostly computers) and procedures to gather, process, store and distribute the information required for decision making.¹ Accurate and timely information helps the firm's top management to select the most profitable target markets to operate in and employ the most effective marketing tactics to achieve the set marketing goals. It also gives early warning of new business trends and problems plus valuable insights into future conditions of the market. This frees the firm from emergency marketing operations since the top management is ever informed and alert about the business environment.

Marketing Research

This is the method for gathering market information required

by the firm. Formally, it is the systematic design, thorough and objective collection, analysis and reporting of information relevant to the firm's specific business situation². Informal marketing research implies that the process is not systematic and hence the relevant information might not be obtained.

Marketing research can be undertaken by the firm's own personnel or an outside organisation. This mainly depends on the firm's information needs and resources (mostly money) and personnel experienced in marketing management techniques. Consideration has also to be taken about the firm's personnel and their knowledge about the firm's information needs.

Information of the firm's marketing environment enable the firm to identify business opportunities, evaluate the future market potential of each opportunity and the firm's ability to operate successfully in identified market sectors.

Marketing environment consists of internal and external factors that affect the firm's operations. The internal factors consists of the firm's resource capabilities in terms of finance, personnel, production facilities, research and development potential, firm's location and public image. Evaluation of these factors enables the firm to identify its strengths and weaknesses. This in turn enables the firm to periodically set goals that are compatible with its resource Capacity. Building on the strengths and improving on the weaknesses in business goals, organization of the business operations, managerial and operative skills, Marketing

performance, financial performance and production performance enables the firm's top management to optimally match the available resources with the firm's activities to achieve the desired goals. This in turn enables the firm to exploit existing and new business opportunities.

The external factors that affect a contractor's operations are mainly the behaviour of building clients, competitors, construction professionals, sub-contractors and suppliers of building materials. Other external factors that constrain decision making by building contractors are economic, social cultural, changes in technology. Since these factors constrain decision making and achievement of business goals because they cannot be controlled by the firm like the internal factors, the firm needs to analyse their influence to know the market condition at any given time. This enables the firm to adapt and respond to their influence easily, and as a result identify business opportunities and beat off the threats.

The main external factors that Contractors need to take a lot of care about are the behaviour of building clients, Competitors, Construction professionals, Subcontractors and Suppliers of building materials plus government policy on Construction industry. This is because the influence of other external factors is almost similar to other businesses though that does not imply that

contractors should ignore them.

Building clients determine which contractor to award their building projects. Therefore, contractors need to identify the factors that influence how building clients select contractors and behave during the project progress. This helps a contractor to design an appropriate marketing strategy to win potential clients and serve them satisfactorily. This enhances the growth of the contractor's business. Satisfied clients are the contractor's best advertisement. They can recommend the contractor to potential clients and can award repeat/new/extension or maintenance jobs to him.

Competitors are other building contractors operating in the same market and therefore pose business threats by their competition for the jobs available. There are no entry barriers in contracting business and any contractor is free to operate. Any contractor who wants to beat off business competition should know the approximate number of competitors, the type of clients or buildings they deal with together with their strengths and weakness in terms of resources and performance so that they can be outdone for the contractor to capture and carve a market share for himself in the market in face of stiff competition.

Construction professionals like architects, quantity surveyors and engineers are employed by building clients to design and

supervise their projects in addition to advising clients how to select contractors. They determine on client's behalf whether the contractor's performance is satisfactory or not in meeting the client's requirements in relation to any building produced. Therefore, client satisfaction is perceived through the construction professionals. As a result, contractors should always try to understand the behaviour of construction professionals and establish and maintain good relations with them. This enhances the growth of a contractor's business. Construction professionals satisfied with a contractor's performance can recommend him to potential clients.

Subcontractors are responsible for specialist activities in a building like electrical works and lifts which cannot be undertaken by the main contractor. Consequently, there is need for the main contractor to ensure that there are good relations between him and any specialist subcontractors in any project so that the clients' needs and desires are met. This ensures that client satisfaction is achieved which further enhances the growth of the businesses of both the contractor and sub-contractors since each of them can recommend the other to potential clients in future.

Suppliers of building materials ensure that the contractor gets the right materials at the right time. This ensures the smooth running of a project. The suppliers can also offer the

contractor credit facilities and discount for bulk materials purchased in cash. They can also help contractors with no storage facilities by delivering the materials as required. Consequently due to the important role suppliers play in the contractor's service delivery system there is need for contractors to establish and maintain good relations with them. This also enhances the growth of their business since they can conduct business together again in future or each can recommend the other to potential clients.

Government policy on construction industry arises mainly due to it being a major client for building services, registering of building contractors before they can be awarded government construction work, building bylaws and economy management policies that affect the building industry like the District Focus for Rural Development strategy launched in Kenya in July 1983.

Economic factors that mainly affect contractors are those related to people's disposable income, inflation, interest rates especially for loans and rate of economic growth.

Social cultural factors include those related to people's beliefs, attitudes, life styles plus consumer protection and safety in relation to the goods and services they purchase.

Demographic factors include those related to population growth in relation to demand for buildings, population distribution and

family size in relation to building needs.

Technological changes affect contractors' production method on site because they can determine whether the building project is delayed or not, or built to client's needs. Consequently, a business conscious contractor needs to adopt and keep up with technological changes in the construction industry so as to constantly satisfy clients served.

Formulation of Marketing Goals

This is the setting of goals for a given period and is important for any marketing oriented firm because goals put the firm's business mission into focus, provide standards for evaluating the firm's marketing (business) performance and also guide the firm's search for marketing strategies and tactics to be employed to achieve the set goals. Goals also need constant review so as to always match them with the firm's resources, marketing strategies and tactics.

To be of benefit to the firm, the goals set should be:

- (i) Measurable, specific, realistic and mutually consistent with a stated time period for accomplishment. This implies that marketing goals should be synonymous with corporate goals since marketing permeates the whole firm. The plan period set for the goals to be achieved should be

long enough to anticipate the recovery of costs involved in the business. Therefore, short and long range plans (and hence goals) should be compatible and the former should contribute to achievement of the later. Also, non-economic goals should enhance the achievement of economic ones which are fundamental to the firm's existence as a business entity.

- (ii) Clearly stated in writing and communicated by the firm's top management to the employees.
- (iii) Reasonable, challenging and ranked in priority form and **Compatible with the firm's resources and business policy.**
- (iv) In a form that provides for timely feedback so that corrective action can be taken in case the achieved goals deviate from the desired ones.

Determination of Target Markets

This is the process of finding the most attractive (profitable) market sectors to operate in. This is important for any marketing oriented firm because operating in all market sectors may be uneconomic in relation to the firm's goals, resources and tactics used to achieve the goals.

Market segmentation is the method used to determine the most attractive market sectors to operate in. This involves dividing the total market into segments, market sectors or target markets that share common characteristics, evaluating them

and then selecting the most profitable target market(s). The main factors that need consideration when evaluating market segments before selecting the most profitable one(s) are the firm's resources and goals, size; profitability and growth of the segment in relation to its competitive advantages in the market place.

Building contractors can segment the construction market in terms of types of clients or types of buildings or geographical location of the contractor and/or projects. Clients can either be public (government) or private (non-government). Types of buildings can be residential houses, offices, social buildings, school and hospital buildings, industrial and commercial buildings. Geographical location can be rural or urban area.

Design of Marketing Mix

Marketing mix are the tools or elements that can be employed by the firm to pursue its marketing goals in the market sector(s) it chooses to operate and satisfy the wants of the customers in those sectors³. The marketing elements forms the basis of the firm's marketing strategy and policy since they are the means of implementing the marketing plan⁴. Design of the marketing mix is mainly done after market segmentation. It is vital for any marketing oriented firm because it enables the firm to make the right decisions about allocation and utilization of marketing resources (especially money) for the marketing programme.

The four major elements that constitute the marketing mix of a service firm like a building contractor are service planning and development, promotion activities, marketing channels and price for the services.

Service planning and development involves decision making by the firm's top management on the services to be offered, their scope and what needs to be done to the services to present them in an appropriate and attractive way. This entails the firm making clear decisions on its business mission and the target markets to operate in. It also involves identifying the firm's strengths and weaknesses in its delivery system so as to improve the service offered to clients. The contractor can also improve his service offer by conducting a customer satisfaction survey after completion of each project. This entails getting views of the client and construction professionals associated with the project and acting on their suggestions in subsequent projects by exploiting the strengths and correcting the weaknesses identified. The contractor can develop his service offer by innovating the production techniques to enhance the delivery system. For instance, he can employ production techniques that ensure a project is completed before the stipulated contract period without sacrificing its quality.

The promotion methods are those that can be used by a firm to inform clients about the firm and the services it offers and persuade them to buy the services. Promotion methods enable

the firm to communicate effectively with clients either directly or indirectly. So, the design and use of an effective marketing communication system is vital for marketing oriented service providers like building contractors. This entails the building contractor developing a clear message, passing it through the right channels to ensure that it reaches the clients and developing feedback channels to know the client's response to the message.

The need for building contractors to use promotion methods arises mostly from the fact that after contractors register with the government and other client organizations they need to inform potential clients about their existence and the services they can offer instead of awaiting for clients to advertise for building projects in the press or seek the contractors when they (clients) have projects. This also minimizes the tendency of clients negotiating award of their projects with some contractors who might have become complacent in their businesses due to some monopoly or having more projects than they can handle at the same time. Also, it is hard to standardize quality and productivity of all contractors in the same target markets. Therefore, there is need for business conscious contractors to make some efforts to differentiate their services from those of others especially before any job offers arises from clients. This is more so due to intangibility and heterogeneity of building services.

The main promotional methods building contractors can employ are personal selling, advertising and public relations. Personal selling is the oral presentation of the firm and its services by the service provider in a conversation with potential clients for the purpose of making sales. This implies the service provider negotiating sales prospects with potential clients, establishing and maintaining good relationships with clients won so as to get repeat sales orders from them in future since it is less costly to retain old customers than to attract new ones. Negotiating personally with potential clients helps the service provider to win them (clients) by getting their attention, holding their interests and arousing their desires to buy the seller's services. Successful personal selling requires the seller keeping the selling process as simple as possible, knowing and understanding what clients want to hear at sales presentations. It also entails the service provider selling himself (appealing to the clients) before selling the firm or service. This implies formulating a negotiation strategy before meeting clients and employment of negotiation tactics during sales presentations.

The importance of personal selling as a promotion method arises mostly from the fact that the seller goes to clients instead of waiting for them to seek him. Thus, the service provider acts in anticipation of winning potential clients since they feel under some obligation to respond to the seller's initiatives. In addition, since the service is inseparable from the provider, the provider is his own best seller because potential clients are eager

to meet him personally. Since the building contractor cannot provide services by himself alone he needs to sell the technical knowledge and work experience of his personnel and his resource capacity and past performance to potential clients.

Advertising is any paid form of non-personal selling of the firm and its service⁴. It comprises preparing the desired message and getting it to the intended potential clients. The major objectives of advertising are to inform, educate, persuade, remind and/or assist potential clients to know about the firm and its service in a bid to make sales.

Advertising mainly consists of corporate (firm) and service advertising. The former is designed to inform potential clients about the firm as a business entity and create goodwill on potential clients and public at large. Service advertising is intended to inform or stimulate potential clients about the firm's services in a bid to make sales of the service. The type of advertising a firm uses depends on its (firm's) marketing objectives, resources and demand for the firm's services.

The main consideration in any advertising campaign is the decision on the right message, media and cost involved so as to communicate effectively with potential clients. This is more so because the audience does not feel obligated to respond or pay attention to the advertisement (message) as advertising is a monologue and impersonal. To make the advertising campaign

successful, it needs to be well planned and organised especially in relation to design of the message and selection of the right advertising media.

The main types of media building contractors can use are:-

- (i) Appearance of the firm's name and address in telephone, business and yellow pages directories.
- (ii) Logo or visual symbol associated with the firm and used on the firm's stationery materials, diaries, brochures, calendars, office buildings, uniforms, vehicles and mechanical equipment.
- (iii) Radio, T.V., newspapers and technical magazines.
- (iv) Outdoor posters on site offices and hoardings of partly completed buildings.

Public relations is a firm's effort to influence potential clients so as to make sales. Public relations activities are designed to help the firm establish itself and maintain favourable image and relationship with clients, other people involved in the construction process, government, general public and the mass media. This helps the firm to align its image with its performance. Public relations also helps the firm to build awareness and credibility among clients, stimulates personal selling and advertising efforts and reduces promotion costs since it costs less than personal selling and advertising.

The major tools that can be employed by the firm for public relations activities are free mass media publicity, the firm sponsoring seminars related to its line of business, publication of the firm's annual performance report, production of diaries; calendars and brochures and giving them free to past clients; construction professionals and their friends, and establishment of a visual firm identity (i.e. a unique logo) easily and immediately recognized by the public.

Free mass media publicity about the firm and its services entails the firm's continuous effort to get news and editorial coverage with favourable comment about its service delivery system. This can counteract the firm's inability to use advertising and personal selling. This is because publicity message gets to potential clients as news rather than as a sales directed communication and potential clients are eager to believe indirect information about the firm than direct one given during personal selling missions. Further, news' stories and features seem more authentic and credible to readers than advertisements. The main disadvantage about publicity is that the firm has little or no control over what the media says and when the message will appear in the media.

The building contractor can get free publicity in the mass media during the ground breaking (site handing over by the client) and handing over (of the building to the client) ceremonies at the start and completion of the building respectively. The firm

can also get media coverage by sponsoring national social events like games and contributing money to good (social) causes like for disabled people's fund.

For the communication process employing the promotional methods discussed above to be successful, the firm's personnel responsible for marketing activities need to identify the target audience, design the right message, select the apt promotion methods, establish the total promotion budget, co-ordinate and evaluate the performance of the promotion methods used. The main factors that need consideration when deciding on the promotion methods to use are the amount of money available for the promotion campaign, nature of the market in relation to type and number of clients and their concentration, geographical scope of the market in relation to size in terms of whether it is large, medium or small, nature of the service and associated product, and the growth stage of the firm's business in relation to whether the business is new; established; growing or declining compared to the demand for the firm's services.⁷ The three major goals of a promotional programme in a service firm are to portray the service benefits to clients in as appealing manner as possible, differentiate its service offering from that of competitors and build on a good reputation due to the intangibility of the services.⁸

Marketing channels are the means through which firms can indirectly sell their services. The channels mostly consist of the people the firm come into contact with in the course of its business.

For building contractors, these people are building clients, construction professionals (mostly those acting on client's behalf), subcontractors and suppliers of building materials. These people can help builders obtain work by recommending them to potential clients especially after getting satisfied by the contractor's performance. This enhances the personal selling and advertising efforts of contractors because potential clients are bound to believe indirect information about the contractors more than the direct one from contractors themselves. Use of marketing channels broadens the contractor's market coverage through contacts of the marketing intermediaries and also lowers the promotion efforts and budget of the builders. However, marketing channels need to be employed in conjunction with other marketing tools to make the later's supplementary effort worthwhile. This is more so where clients have a tendency of awarding their job tenders on the basis of price alone or negotiating award with one firm only making promotion efforts of little consequence for obtaining jobs.

The major way in which building contractors can effectively employ marketing channels as a marketing tool is to establish and maintain good personal relations with them (marketing intermediaries) and constantly deliver services that satisfies clients so that the marketing intermediaries can continue to speak favourably about the contractors to potential clients. This is more so because building contractors almost use the same marketing mix elements while differentiation of services offered by one contractor from

the others is difficult since it is difficult to standardize service offers by different service providers in the same market. Also, there are no tangible samples or easily perceivable offerings to be communicated to potential clients.

To make use of marketing intermediaries as a means of getting jobs a worthwhile marketing element, the contractor needs to identify the reasons for their (intermediaries) recommendations and then reciprocating them in the best and most reasonable manner as he (contractor) constantly continues to deliver services that satisfies clients.

Price of the services is one of the most important marketing element in any marketing strategy. Price is the only marketing element that helps firms to generate revenue to cover fixed and variable operation costs and also generate profit which enable firms to continue to exist and/or grow as viable business entities. Further, price is the major factor considered by most potential clients when they are making decisions on which firm to award their job. Consequently, pricing of building contracting services is vital to a contractor's business because it enables him to obtain jobs from potential clients and hence meet his business objectives, satisfy the clients served at a profit and consequently create more clients in the long run, because satisfied clients will talk favourably about the contractor to potential clients. Price of the firm awarded the job should be at least be less than the client's estimate for the project so that the client does not get problems

of looking for more money in case the budgeted money gets finished before the project gets completed.

Since contractors price for their services before the building is built and the client determines the number of firms competing for any tender any firm needs a pricing strategy to help it in winning job tenders especially where more than one firm are competing for the job. A tendering strategy in a competitive situation helps a contractor to estimate the cost of undertaking the project, the lowest worthwhile bid price and probability of winning a profitable tender. The main factors to consider in such a situation are success rate of past biddings (so as to introduce advantageous changes to cope with each tendering situation), profitability of past projects undertaken and factors that influenced realization of profit for their further exploitation, client satisfaction in the past and factors mostly responsible for the same for their further exploitation, prevailing construction market conditions in relation to demand for building services and contractor's current workload (whether below or above his optimum capacity resourcewise) AND uncertainty of the estimate due to incomplete market information due to unknown client's behaviour and that of competitors in addition to influence of economic, political and social factors together with the estimating techniques employed and prediction assumptions applied in the estimation process⁹.

Where a client negotiates the price for his project with one builder the latter should ensure that the negotiation process succeeds and in turn delivers satisfactory services to the client. This is because if the negotiations fail the client can negotiate with other firms in the market.

The main tendering strategies building contractors can employ to win tenders mostly in a competitive situation are:-

- (i) Quote prices in relation to the firm's business goals and prevailing demand situation for building services.
- (ii) Quote prices with low profit margin for projects of new private clients and optimum profit for government or private clients worked for before
- (iii) Quote different prices for the same building types and clients in different geographical locations.
- (iv) Quote different prices for the same building types and sizes for different clients in relation to how the contractor knows the clients (especially private ones and their consultants) and the contractor's resource capacity and current workload.

The marketing mix elements discussed above are interrelated and each has its own contribution to the total marketing effort. To employ all of them successfully, the firm's top management

need to select the combination that best helps the firm to adopt to its internal and external business environment in the short and long run, satisfy the target markets in which the firm operates and meet the firm's business goals.¹⁰ As a result, the optimization of the marketing mix elements helps the firm in the optimal allocation and utilization of the available marketing resources (mostly money) for the whole marketing programme. This in turn helps the firm to optimize its goals in any project it undertakes without compromising client satisfaction.

Organization of the Marketing Programme

Organization of the marketing resources and tools enable a marketing oriented firm to effectively implement the marketing plan and hence achieve its desired marketing goals. Organization helps in the co-ordination of the marketing activities in relation to other business management functions. An organization structures the relationships of the firm's personnel and division of work among them in relation to the management tasks that need to be performed to achieve the firm's goals. Therefore, to organize marketing tasks effectively, they need to be entrusted to a person(s) with marketing management skills. This implies explicit planning of the marketing activities which enhances their performance and coordination.

Formal organization of the marketing programme entails the establishment of a patterned relationship among the marketing resources, tools and tasks and also an organizational relationship between the marketing function and other business management

functions or departments. All business management functions or departments are supposed to mesh and work harmoniously together to achieve the firm's goals and customer satisfaction. The marketing function needs to be the concern of all the firm's departments and personnel. Marketing permeates the whole business organization and therefore cannot be left solely to one person or the marketing director where a firm has more than one director. Marketing succeeds in a firm when all directors and employees and departments of the firm appreciate how they impact on the firm's goals and client satisfaction and to which all their efforts are focused.

Organization of the marketing function ensures that the marketing tasks are performed and co-ordinated effectively in relation to other business management functions or departments. This can be done under a marketing department or not depending on the firm's size, resources and business policy. In a small marketing oriented firm the marketing activities can be performed by the firm's sole proprietor in addition to other management tasks. In a partnership business, marketing activities can be handled by one or more partners depending on how the management tasks are divided among the partners. In a large marketing oriented firm, one person (e.g. marketing manager), can perform all the marketing activities or coordinate the working of several marketing personnel assigned to the marketing tasks like marketing research and public relations.

This is just like other departmental heads within the firm (e.g. personnel, finance and/or production) are responsible for their departmental activities under the overall firm's chief executive who is supposed to co-ordinate the working of the whole firm's personnel and departments to ensure that they are working harmoniously together in a marketing oriented manner.

Informal organization of the marketing programme implies that the marketing activities are performed without any explicit plan. Formulation and achievement of the firm's goals occurs according to a rule of thumb of the firm's director(s) with very little formal guidelines. As a result, the marketing function becomes in-effective as it does not help the firm in the achievement of its goals. Consequently any firm that is marketing oriented in its operations need to formally plan and organize its marketing activities to enhance the formulation and achievement of its goals.

Control of The Marketing Programme

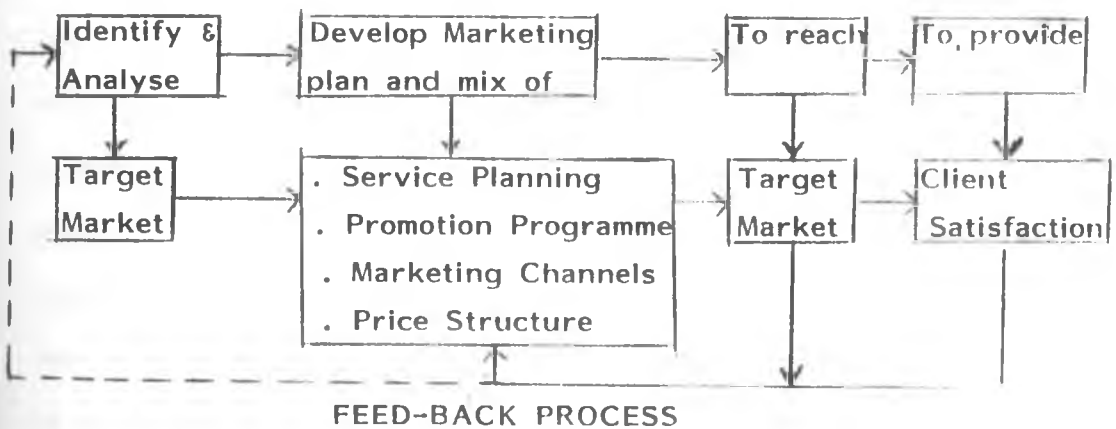
This is the process of ensuring that implementation of the marketing plan conforms to the planned for business goals. This entails the evaluation of the performance of the marketing programme. Planning sets forth what should be done and evaluation shows what was really done during the execution of the marketing plan¹². Therefore, marketing planning and control regulate the firm's marketing performance in relation to formulation and achievement of goals.

The control cycle is a continuous process of establishing (annual) business goals and objectives as performance standards, observing the performance of the marketing plan, comparing actual results with set goals to determine where they differ, determining the causes of any serious performance deviations and finally taking corrective action on the deviations (mostly the negative ones) to restore a match between the results and the planned for goals¹³. Corrective action may involve revising the planned goals and other performance standards in light of actual performance or changing the marketing tactics employed to implement the marketing plan. The marketing control system need to keep pace with the information needs in a dynamic business environment. This makes the marketing management process dynamic.

Evaluation of the performance of the marketing programme is important to building contractors because it enables a firm that is marketing oriented in its business to continuously match its resources, marketing strategy and tactics to opportunities in the market place. A flexible marketing strategy and organization of the marketing activities enhances formulation and achievement of the firm's goals as it makes evaluation of the marketing elements' contribution to the marketing programme feasible. The evaluation process enables the firm to determine whether the marketing plan is feasible or not and also the reasons for the success or failure of the marketing plan implementation tactics. This in turn helps the firm's top management to correct misdirected or misplaced

marketing effort by capitalizing on the marketing strengths and improving on the weakness. Evaluation of the productivity of the marketing tools employed in the formulation and achievement of the firm's goals enables us to discern the effectiveness of the firm's marketing programme. This enables the firm to put more emphasis on the marketing tools that enhance the formulation and achievement of the firm's goals and less emphasis on those which do not. This makes the firm's business policy strategic, dynamic and flexible which in turn helps the firm to continuously respond and adopt to the prevailing market conditions.

The activities of the marketing process form the marketing cycle. The figure below illustrates the working of the cycle.



Legend

- Continuous feedback
- - - - - annual, half yearly or quarterly feedback (as per plan period)

Fig 3.1 Marketing Cycle

Source: Stanton and Futrell ¹⁴

The cycle shows that for a marketing oriented firm to fulfill its mission and accomplish its goals and objectives, it should start and end its marketing effort with a consideration of its customers (which form the target market) and their wants. This implies that the firm identifies its marketing opportunities by analysing the needs and wants of its target market, then selects the most attractive markets to operate in, then within a frame work of the external environmental forces as decision constraints (because they are beyond the firm's control) the firm designs a marketing strategy with the marketing goals to be achieved and marketing tactics (marketing mix elements) to employ to reach the target markets selected and provide satisfaction to the clients served in those markets. The feedback process enables the firm's top management to identify any deviations between set and achieved goals and hence take corrective action on the deviations (especially negative ones) to restore a match between the achieved and set goals. For effective control of the marketing programme, feedback points need to be designed into the programme so that the necessary type and amount of information regarding the viability of the marketing plan and its compatibility with marketing tactics adopted is gathered at the right time to facilitate appropriate and timely action. In this connection the feedback loop can either be continuous and/or related to the period of the marketing plan whichever is suitable to the firm's circumstances in relation to whether the business is thriving or not. The feedback process also forms the basis for planning ahead by the firm's top

management having contingency measures in case the marketing tactics fail to achieve the planned for goals somehow. This way, the firm's top management is wise before implementing the marketing plan and acts (during implementation) in anticipation of successfully accomplishing the set goals.

Summary

The major marketing elements that constitute the marketing management process and their relation to business management have been discussed. Their role in the formulation and achievement of business goals has also been considered. This forms the basis of Chapter Four which evaluates three marketing management models as a basis of the theoretical framework of the study and hence evolves a conceptual model that helps in the evaluation of marketing performance of building contractors.

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CHAPTER FOUR

TOWARDS AN EFFECTIVE MODEL OF THE MARKETING MANAGEMENT PROCESS

This chapter reviews marketing management models which are related to the marketing management process. Then, a conceptual theoretical model which is considered relevant for evaluation of marketing performance by building contractors is developed. Evaluation of marketing performance forms the basis of successful marketing management. Ineffective areas are discovered and hence corrective action can be taken. Further, the marketing elements with positive contribution to the management process are also discovered for further emphasis and exploitation in operation of organization. This ensures that available marketing resources are economically employed because misdirected marketing effort is minimized.

The models reviewed are the Goals Model¹, System Model² and Steering Marketing Control Model.³

The Marketing Goals Model

The model's establishment starts with formulation of marketing goals. The marketing management process then utilizes the organization's resources to try to achieve the set goals as effectively as possible. There is a feedback process that provides for corrective action to be taken if the achieved goals are different from the initially set ones. The model can be structured as shown below.

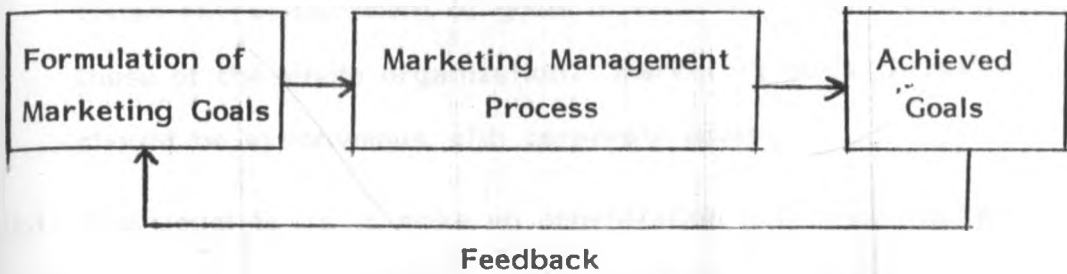


Figure 4.1 : Marketing Goals Model.

Source: Adapted from Kotter.⁴

The main contribution of the model to the marketing management process is its property of making goals essential to its evaluation in relation to marketing performance of an organization. The evaluation provides the feedback necessary for the continued improvement of the marketing management process through restatement of the goals and alteration of the marketing elements used to achieve the desired goals. Setting of goals is the main basis for effective planning. Results oriented planning is the only kind that makes sense.⁵ A set of clear goals also aids in developing effective management controls. Control involves measuring results and taking action to correct deviations (if any) from plans in order to ensure that desired goals are achieved.

The main limitations of the model are:-

- (a) The model focuses on marketing goals instead of corporate goals. Organization goals need to be considered in totality but not separately for each department. All management functions (departments) exist and are supposed to work for the benefit of the whole organization and therefore need to be considered that way. This enhances the management of the organi-

zation and achievement of goals of each department and hence those of the whole organization. Marketing goals therefore should be synonymous with corporate goals.

- (b) The model tends to make an organization not to be marketing oriented in its operations. It concentrates on organizational goals without considering customer needs and desires which the organization seeks to satisfy by providing services. The organizational goals should be compatible with those of customers. This enhances the achievement of the former as the later are tried to be achieved.
- (c) The model does not give guidelines for setting goals. Planning guidelines and company policies are needed for setting goals. This reduces the probability of selecting non-ethical means of achieving the goals.
- (d) The model does not offer a method of identifying the impact and interactions of the various marketing tools used to achieve the set goals. This makes the design and systematic analysis of the marketing management process difficult. The contribution of each marketing tool seems to be overshadowed by goal achievement. This may make mediocre or unsuccessful marketing programmes appear successful when they are not. This is due to the problem of calculating expectations of performance of the marketing tools, ability and will to recognize

variance of expectation and performance. As a result, the productivity level of each marketing tool employed in the marketing process becomes hard to measure.

- (e) The model does not consider the external environment the organization operates in. Environmental forces need consideration by the business organization because they constrain formulation and achievement of Corporate goals. The organization needs to know and understand them so as to be able to adapt to them to enhance the Marketing management process and evaluation of the productivity of Marketing tools. This makes the organization be dynamic instead of being static in its operations. It also enables it to adapt to changing conditions of the environment it operates in. This makes the organization to be always in harmony with its external environment which further enhances its operations.

The Marketing Process System Model

The Model regards the marketing management process as a system and the various marketing tools involved in formulation and achievement of marketing (business) goals as subsystems. This arises from the systems theory of management that regards a system as an entity consisting of subsystems as interdependent and related parts connected to each other directly. The marketing system transforms organization resources (input) of skills, materials, machines, information and

finance into outputs which are the desired objectives of the organization with that of making and keeping customers at a profit being the foremost. The system has a feedback process that provides for corrective action to be taken in case achieved outputs deviate from the desired ones. There is also a feedforward system that enhances the working of the feedback process to enhance the achievement of desired goals (output). The system also takes account of the external environment in which the organization operates because it affects the operations of the system. The model can be structured as shown below:

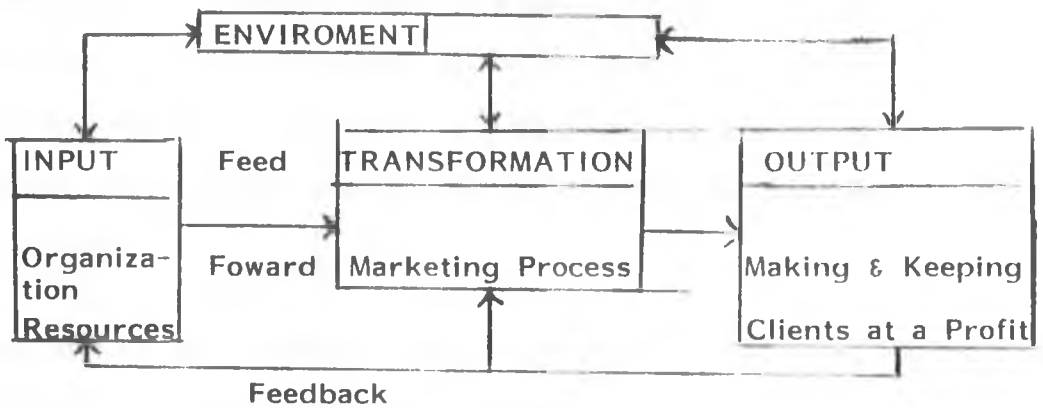


Figure 4.2 Input -Output Model of The Marketing Process

Source: Adapted from Walker⁷.

The transformation process consists of formulation of marketing (business) goals, implementation of the plans to realize the desired output (goals) and evaluation of marketing programme's performance.

By considering the external environment in which it operates, this makes the business organization and hence the marketing process an open system as opposed to a closed one which does not. Understanding of the marketing system's environment is necessary in the marketing management process because it helps the business organization to take care of the environmental forces that constrain decision making. Monitoring and evaluation of environmental forces facing a business firm helps it to track important market trends and developments. This in turn helps the firm to identify business opportunities and/or threats to exploit and/or beat off respectively. This helps the firm to continuously adapt to the market (environment) which is ever changing and thus remain bouyant because a suitable matching between the firm and its market is got. This makes the business firm to be dynamic for its ability to manage change which is the main characteristic of the market. This is mainly due to fluctuating demand for building contracting services in the building construction market.

The dynamism of the business organization is in line with the contingency theory of organization which states that there is no one best way to organize since the organization process is a function of the nature of the task to be carried out and its environment.⁸

A business organization results from the interaction of its parts (subsystems) and the environment in which it operates. Therefore the most suitable organizational form is determined by the external environment in which a particular organization exists.

This implies that a business organization should design a management structure (including that of marketing) to suit its existence in relation to the prevailing market conditions. This is because the survival or existence of an organization depends on how well it fits in the environment in which it operates due to environmental forces confronting the organization. This is because different environments generate different levels of uncertainty which in turn determine how organization tasks are to be organized and managed. High degrees of uncertainty in the external environment tends to make firms operate informal management structures and vice versa for low degrees of uncertainty. This helps the firms to continue to exist as they respond to the environmental forces that affect their business operations (hence the marketing process) in relative ways for each individual firm with its own goals and resources. This implies that, a building Contractor can organize and manage the marketing system formally or informally or both to suit the prevailing market situation. This enables the firm to manage the demand for construction services effectively and efficiently in both the short and long run.

Open systems maintain a stable state in a dynamic and hostile environment by means of feedback and feedforward mechanisms. This enables the system (firm) to adjust to changes in the external environment in which it operates and hence survive and/ or grow⁹.

The concept of feedback is fundamental to the marketing process as a system to understand how a system is maintained and therefore how it continues to exist and achieve its goals. Feedback forms the basis of the evaluation of the performance of the system in how it achieves its set goals. Hence, the feedback process enables the marketing management system to be always under (in) control. Through feedback and subsequent action, achieved goals are compared with desired ones so that adjustments in input resources and marketing tools used can be made. This enables top Management of a firm to monitor the success or failure of the marketing process and hence the performance of the marketing tools used. This helps the firm effect changes in the marketing system in a bid to achieve the desired goals. This orientates the Marketing process towards provision of facility which is acceptable in terms of business needs and environmental conditions within the predetermined business standards in terms of goals and objectives. By transmitting information back and forth during and after the transformation process in the marketing system, the feedback process enables the business firm to be always in harmony with the market place. For it to be effective the feedback system should:-

- (i) Be compatible with the whole business organization so that it operates on a cost effective basis in such a way that the value of the control benefits achieved is not cancelled out by the cost of achieving it.

- (ii) Enable corrective action (to improve the transformation process) be taken at the right time to make the feedback process beneficial to the organization. This is more so when the feedback is negative and is supposed to correct the system's deviation from desired course in a bid to enable it achieve desired objectives. Any delay to convey negative results of the transformation process makes the feedback process useless to the business organization. Positive feedback also need consideration because it enables the firm to exploit and emphasize more the marketing tools associated with positive success of the marketing process in subsequent transformation cycles as less emphasis is put on those marketing tools with little contribution in the marketing process.

The feedforward concept enhances the working of the feedback process to enable the business organization achieve its desired goals. The feedforward concept arises due to the time lag associated with the feedback process due to the waiting time associated with the transformation process and its evaluation. The feedforward activity is a future directed control process in which information is fed into the transformation system to help marketing management system cope with problems that are likely to arise in course of operation of the system. The feedforward process is based on inputs and feedback information resulting

from evaluation of the output in comparison to desired goals¹⁰. The inputs and feedback information are evaluated to ascertain whether they are in conformity with the current marketing (business) plans and/or marketing strategies or tactics and if they are not they are changed to ensure the achievement of desired goals. The feedforward system mostly helps business organizations forecast demand in the market, compare desired goals with the forecast and then introduce changes to make the two compatible to enhance achievement of the desired goals¹¹. Anticipation of potential problems or changes in demand during the transformation process in future makes top management of a firm attempt to solve the problems before they occur or prepare for them and/or also change the current desired goals and/or marketing strategies and tactics. Suitable feedforward system should identify correct combination of inputs and aid in regular assessment of the variations of inputs from the planned for inputs and evaluation of their impact on desired outputs¹². This moves the marketing system towards higher performance instead of being static or deteriorating. This is important for any organization that uses returns (information) from the outputs of the conversion process to enable changes in combination of subsequent inputs to make the cyclic process of the conversion of inputs into outputs successful.

The major steps involved in construction a marketing system model are:-

- (i) Formulation of marketing (corporate) goals which are
 - specific, realistic and measurable
 - reasonable, challenging and ranked in priority form
 - clearly stated in writing and communicated by top management to firm employees.
- (ii) Establishment of marketing tools used to achieve set business goals. This determines how available organization resources will be allocated.
- (iii) Establishment of a flexible organizational structure portraying all the marketing tasks in a logical and chronological sequence in relation to information flow, decision making, implementation and evaluation of the performance of the marketing plan as per set goals.
- (iv) Setting up of a basis of measuring the success or failure of the marketing tools and tasks used to achieve the set goals so as to know the productivity of each and hence the effectiveness of the whole marketing programme in relation to its costs and profitability to the business organization.

The main contributions of the model in relation to understanding the marketing management process are:-

- (i) It is a flexible methodology which guides a manager to identify problems in a bid to solve them in any business situation. It provides a frame of reference so that all aspects of a business problem are examined and comprehended. This helps a manager to understand the pattern of business problems associated with marketing activities which in turn helps in their solution endeavours in a bid to achieve the set business goals and objectives. Decision making is easier in organizations if the system within which decisions are made can be provided as a more explicit framework. In addition some resources are needed for non-goal directed effort especially for maintaining the marketing organization.
- (ii) It helps in the perception of the marketing function as a process instead of as a series of discrete isolated actions involving a two way flow of information between the service providers and clients intended to be served. This helps in the decision making process of the service providers by always orientating the management of the business to the clients intended to be served and satisfied.
- (iii) It seeks to discipline the marketing function due to the countless factors which complicate the management of any business organization with associated complex problems of choice under uncertainty and conflicting objectives and limited

resources. Such organization objectives can only be achieved by viewing the organization as a whole system seeking to understand and interpret the interrelationships between organization parts like business departments or management functions. This helps in planning the optimal allocation and use of available organization resources plus the understanding of interrelations of the marketing elements.

A holistic approach to problem solving recognizes that a solution is best achieved through the interactions of many forces in the environment in which an organization operates. Anticipated forces are considered in advance thereby reducing overall uncertainty in business management. This is due to linkages between the organization and its environment. Internal complexities of the problem and the organization which seeks to solve it are also recognized.

- (iv) It allows coordinated deployment of all appropriate marketing tools in relation to marketing activities to be performed. This is due to its emphasis on interrelatedness of the organization's component parts.
- (v) It results in greater efficiency and economy of the marketing operations in management of the whole business organization. This is due to its aim of optimal allocation and use of available organization resources.

- (vi) It allows a better understanding of the complex interplay of the many forces and trends in the business organization and its environment and hence allows a quicker recognition of impending problems which helps in their solution.
- (vii) It is a stimulus to innovation which helps to increase the achievement of business goals and objectives.
- (viii) It is a means of verifying results in relation to set and achieved goals and hence forms the basis of improved business performance. As a result, the business goals and tactics can be corrected to suit the prevailing market conditions as the marketing process recycles the business resources.

The limitations of the model in relation to evaluation of marketing performance are:-

- (i) The model must be tailored to suit each firm's goals, resources, business (marketing) strategy and tactics in relation to the prevailing market conditions. There are no standardized approaches to problem solving especially in relation to the marketing function since each business organization (even in the same industry) is unique in relation to its needs and endeavours in its operations. Therefore, no stereotype design of the marketing model can be recommended

as being applicable to all building contractors with different business resources, goals and policies.

- (ii) Unrealistic assumptions and lack of enough and/or correct information of the external environment (market) in which the firm operates limits the accuracy of the model during its construction and implementation. This limits its use in the decision making process
- (iii) It is very hard to influence the thinking and or change the attitudes of managers of business organizations (mostly those who are not marketing oriented in their business management approach) who think that the way they currently manage their firms is the best due to non-lack of demand for their services.
- (iv) The model is not a substitute for common sense. Managers also need their subjective judgement and business management experience to aid them in decision making to solve business problems. The goal of the model is to build on the manager's management skills and experience to reach a better decision making system.
- (v) The model should be flexible because it needs continuous revision (change) to allow the use of alternative marketing resources and tools to enable the organization adapt to the external environment (market) which is ever changing. This makes the

formalization of the model hard and also calls for the use of computers to keep the organization ever alert for any environmental change and also help it forecast such changes. Use of computers should be based on balance between their costs and benefits to the organization.

- (vi) The output of the model which is expressed in terms of making and keeping clients at a profit renders the evaluation of the productivity of the marketing inputs (elements in the transformation process) difficult. Economic goals of an organization need consideration in light of non-economic ones which enhances the achievement of the former. The firm's top management need to identify the marketing elements responsible for achievement of economic and non-economic objectives of the organization. This enhances the diagnosis of the performance of the marketing programme especially where the output is at variance with expectations. This is because good performance in the market place does not necessarily imply good implementation of the marketing plan. This is more so where the organizational capacity is a constraint to formulation and implementation of the marketing (business) plan. Organizational capacity determines whether or not the expected results from marketing inputs will be realized.¹³

Failure to equate the proposed scale of marketing operations with the entire firm's organizational capacity may be more costly than any other type of design error in relation to the marketing programme. This is more so because the decision maker is more sensitive to changes in the external environment (market) and subject to more uncertainties than the organization resources available.

The Steering Marketing Control Model

Development and operation of the model involves formulation of marketing (business) objectives to be achieved, formulation of a marketing plan (strategy) incorporating the set objectives which includes deciding the relevant attributes or dimensions that affect marketing performance and their corresponding indicators or predictors which are potential measures of marketing performance across the whole business organization. The performance indicators are then combined into a composite performance index which is set against an established target index related to successful, medium and unsuccessful marketing performance in relation to the set marketing objectives. The next step of the model is implementation of the marketing plan to achieve the set objectives. After implementation, the performance index is compared with the target index to determine if performance is consistent with set objectives. If the former does not deviate from the later significantly or the performance indices for consecutive time periods do not exhibit any trend, then the marketing performance

is considered to be under control. If the performance index deviates significantly from the target index or exhibits a certain trend this implies that something has gone wrong which is steering the actual performance from the targetted one. Therefore, the performance indicators need to be examined to determine the cause (s) to enable corrective action to be taken.

The model can be structured as shown below:-

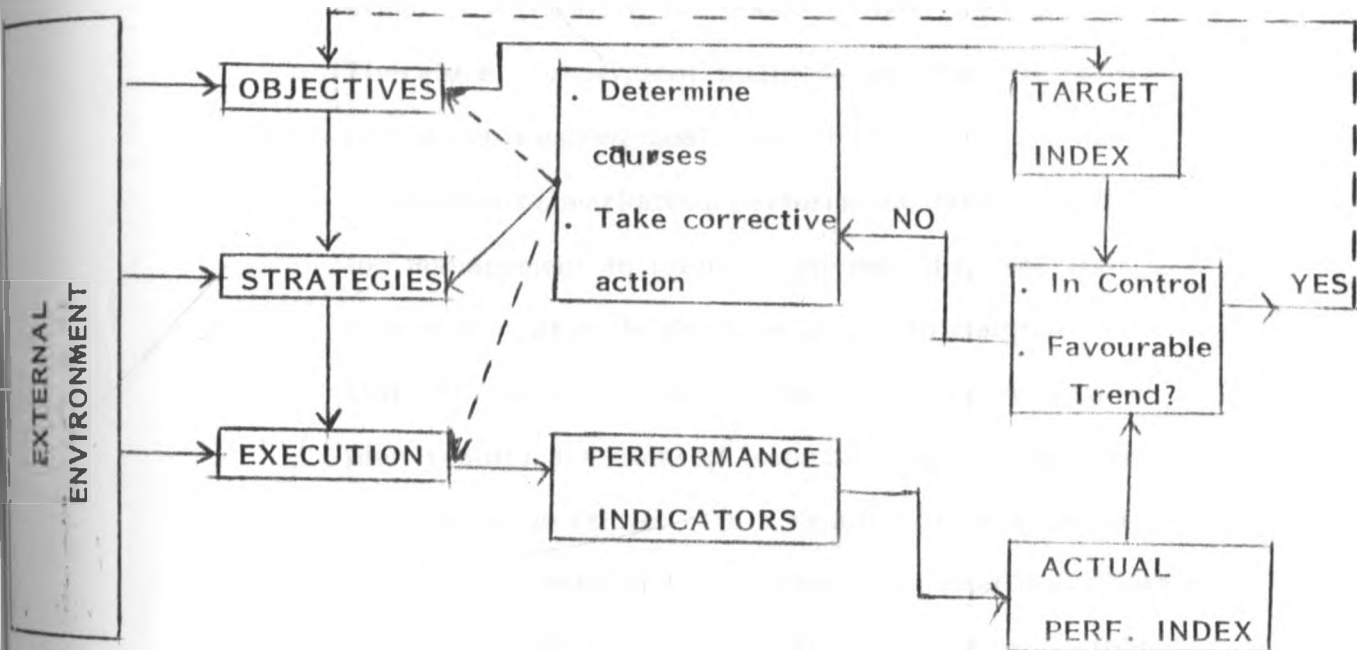


Figure 4.3 Steering Marketing Control Model

Source: Sharma/Achabal¹⁴

By using the performance index to predict performance, this enables necessary corrective action to be taken to rectify any deviations between the performance index and target index and hence steer the marketing programme to the targeted objectives. This puts the marketing programme in (under control

and enhances the formulation and achievement of the business objectives.

The main contributions of the model to evaluation of a firm's marketing performance are:

- (i) It makes the evaluation of the marketing performance and hence control of the business operations easier which is imperative for good business management. Therefore, subsequent business management failures to achieve desired goals are minimized or avoided. Evaluation of marketing performance enables a firm's top management to identify change, discover its causes and provide decisive action to maintain a state of equilibrium within the firm. As a result, plan results are steered towards desired objectives as close as possible. As a result, the overall fit of a firm is related to the firm's external environment. The model reduces the multitude of attributes that affect marketing performance to a manageable number which makes measurement of marketing performance easy. Since the importance of the attributes vary across firms, the firm's top management should identify the marketing performance indicators that suits its marketing performance measurement.
- (ii) The model also measures the trend of the marketing performance over the past years of existence of the

firm or plan period in relation to whether it is stable, improving or deteriorating. This further enhances formulation and implementation of subsequent business plans. This ensures that the marketing performance is stable (under control) and prevents its deterioration in future.

The limitations of the model in relation to marketing performance evaluation of building contractors are:-

- (i) The effects of individual marketing performance indicators are masked by combining them into a composite performance index. This implies that, it is not possible to determine from the composite index the extent to which each of the indicators affect overall marketing performance. This should not be the case because the extent to which each of the performance indicators affect the overall marketing performance of the organization can throw light to the reasons for the observed marketing behaviour of an organization prevailing at any one time. This is more so where deviations between the performance index and target index are due to other factors that were not considered during construction of the model.
- (ii) The model does not offer a method to differentiate between the success of marketing programmes for

product(s) business and that for service business. The model deals with the marketing performance of business of tangible products. This limits its application in evaluation of marketing performance of service firms like building contractors. Marketing of intangible services requires a different approach to that required for tangible products due to the characteristics that distinguish them from the later.

The Conceptual Model

The weaknesses of the reviewed models indicate the need for development of a model which can be specifically employed for evaluation of marketing performance of service businesses generally and for building contracting business in particular. This can enable a building contractor who is marketing oriented in his business to identify the marketing tools to employ in the marketing management process to enhance the formulation and achievement of business goals.

In the conceptual model as explained below, the researcher set out to test the productivity or contribution of inputs represented by the various marketing tools involved in the formulation and implementation of the business plan to result in making and keeping of clients at a profit. The marketing effectiveness of a building contractor can be reflected in the degree to which he employs the marketing elements and then organizes them to set and achieve the business goals. Organization of the marketing management resources enhances the formulation and achievement of business goals. It also implies a conscious desire by the firm's top management to enhance

the success of the marketing process. Organization structure clarifies who does what which enhances decision making in the firm, which in turn enhances achievement of set goals. Links are established between and among the firm's top management in relation to business management tasks (including marketing) so that harmony is established throughout the firm.

The model can be structured as shown below.

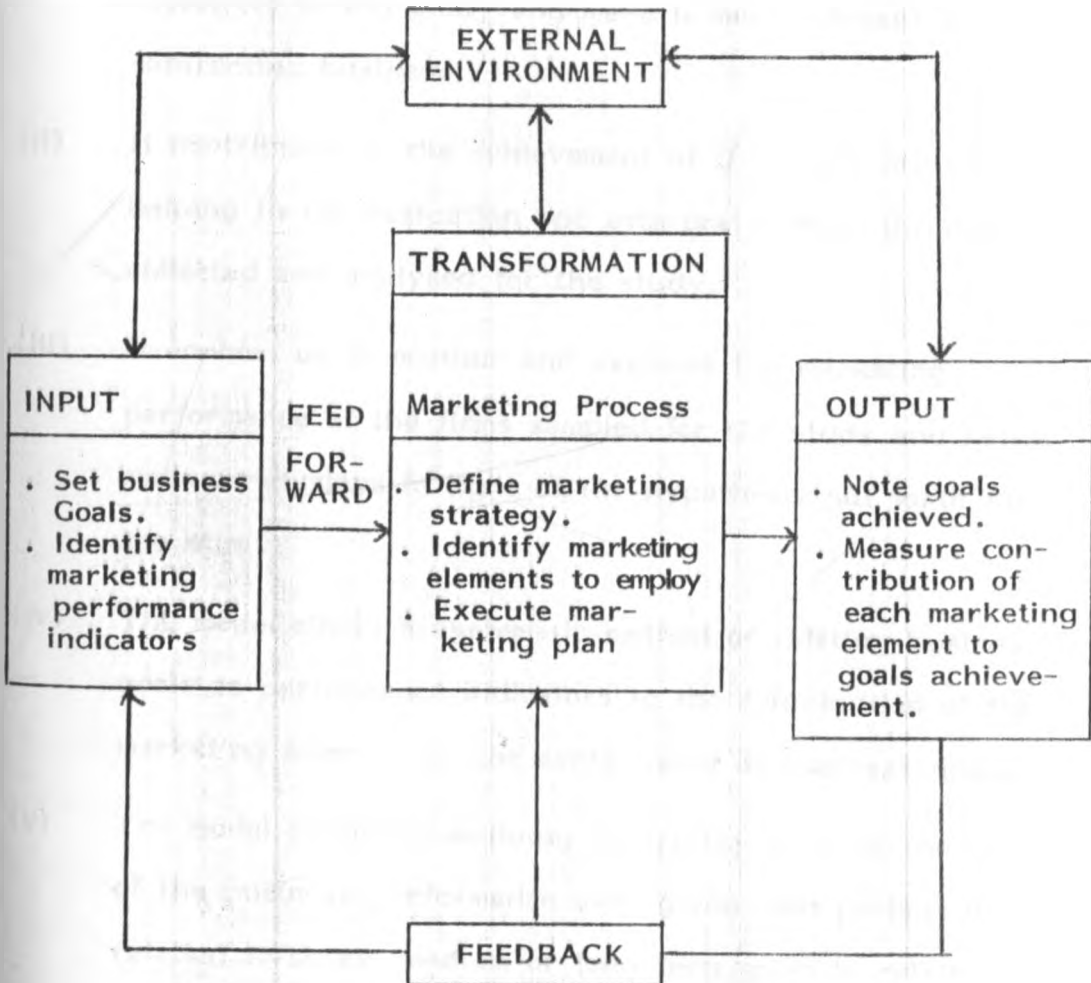


Fig. 4.4 : Conceptual Model For Measuring Marketing Performance.
Source: Adapted from Sharma/Achabal.¹⁵

The conceptual model was arrived at after evaluation of the three models discussed earlier in the chapter. The model was built up from modification of the reviewed models which had not been employed by the construction industry. The main factors the researcher considered crucial to the building up of the model are:-

- (i) It encompasses all the factors considered by the reviewed models and builds on their positive aspects as appertains to the marketing management process. It also takes care of the reviewed models' weaknesses to adapt it to the objectives of the study and make it more relevant to building contracting business.
- (ii) It contributes to the achievement of the study goals by helping in the evaluation and interpretation of the data collected and analysed for the study.
- (iii) It enables us to monitor and evaluate the marketing performance of the firms sampled for the study and hence make conclusions in light of the hypothesis put forth for the study.
- (iv) The model allows a systematic method of relating business goals as performance indicators to the contribution of the marketing elements to the achievement of business goals.
- (v) The model enables a building contractor to know the trend of the business performance over given plan periods in relation to short, medium or long term goals in relation to whether business performance is stable, improving or deteriorating and hence take appropriate action to align

the marketing process with business goals.

- (vi) By identifying the marketing elements to put maximum and minimum emphasis on in subsequent formulation and achievement of business goals after a given plan period this helps to always allocate and utilise its resources (mostly money and personnel) optimally and thus minimise their wastage. This further helps in the monitoring and control of business activities in relation to budgetary costs.
- (vii) The model helps in the determination of the relation between short or medium and long term goals of the business and hence the viability of the marketing plan and its compatibility with business goals. This helps the firm to organize the marketing resources effectively and plan ahead with contingency measures to ensure that execution of the marketing plan leads to achievement of business goals in face of external market forces that constrain decision making.

Development and operation of the model involves the following tasks. First is the formulation of business goals to be achieved over a given time period and identification of business goals which should act as marketing performance indicators. The next step involves the definition of the marketing strategy that corresponds with the business plan followed by the identification of marketing elements to be employed towards the achievement of the set business goals. This is then followed by implementation of the marketing plan to result in the realisation of business goals.

After implementation of the marketing plan, the goals achieved are noted and then the contribution of each marketing element employed towards goals achievement is measured to determine if the emphasis or effort put on each element is consistent with contribution expected towards achievement of business goals. The deviations between actual and expected contribution are then noted, causes of deviation determined and corrective action taken to rectify the deviations in subsequent marketing plan implementation and consequently keep the marketing process in control. This further enhances the formulation and achievement of business goals. This arises out of the adjustments made in business goals, marketing resources and tools (tactics) employed in subsequent implementation of the marketing plan. This is because the marketing elements that require maximum and minimum emphasis are known by then and hence the firm's top management knows which marketing element to employ to no extent, small extent, moderate extent or great extent in relation to its contribution towards business goals formulation and achievement. This enables the firm to be always in harmony with market conditions prevailing at any given time.

To discern the overall marketing performance of each firm sampled and studied, the researcher investigated how each firm employs each of the marketing tools to no, small, moderate or great extent. This was in to reflect whether the marketing performance of the firms studied is poor, fair, good or very good from the total score rating of the marketing attributes to which a score rating could be attached. In the conceptual model, the researcher attached a score rating of 0, 1, 3 and 5 to denote whether a firm employs each

of the marketing tools to no, small, moderate or great extent. 56 marketing attributes to which a score rating could be attached were considered with responses related to the extent to which firms employ each of the attribute. This implies that if the studied firms practise marketing to a great extent than the total score could be $56 \times 5 = 280$. To discern the overall marketing performance of the sampled firms, four mean score ranges of 0 - 70, 71 - 140, 141 - 210 and 211 - 280 were established by the researcher to indicate whether the sampled firms practise marketing to no, small, moderate or great extent respectively. A class interval of 70 was got by computing $280 \div 4$ where 4 represents the number of score ranges and corresponding performance rating in each marketing attribute considered. The score range helps us to discern the overall marketing performance of the sampled firms in relation to whether it is poor, fair, good or very good respectively as reflected by the final average score of all sample firms and the score range in which it lies and hence make conclusions accordingly. For example, if the final score range is 215 and lies in the score range of 211- 280, we conclude that the marketing performance of Kenyan builders is very good.

Summary

The chapter has evaluated three major marketing management models in relation to the marketing management process as the basis of the theoretical framework of the study. Then a theoretical conceptual model has been developed from the evaluated models to help in the evaluation of the marketing performance of building contractors. This forms the basis of Chapter Five which presents the findings of the research. *

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CHAPTER FIVE

DATA ANALYSIS AND PRESENTATION

This chapter gives the findings of the research in relation to the data got in the field on one hand plus the hypothesis and objectives of the study on the other.

The researcher chose to analyse the data manually. It was felt that manual interpretation of the research findings would be appropriate because of the qualitative nature of the variables under investigation. This also implied that it could be easy for the reader to comprehend and understand each of the study variables separately and consequently draw any relationship between them easily and clearly.

Data got through the use of questionnaires is presented by use of tables to condense the findings of the various study variables and thus help to display their relationships for adequate visual observation and interpretation. Arithmetic means and percentages are used to show that what proportion of the sample rates in each of the marketing attributes considered in the study. The scores of the attributes are then added together after checking the answers given by the respondents for each question in relation to each marketing attribute. A score rating of 0, 1, 3 and 5 was employed to denote whether a given firm practised marketing in each of the attributes to no extent, small extent, moderate extent or great extent. 56 marketing attributes to which a score rating could be attached were considered. This implies that the total mean mark the sampled firms could score if they practised marketing to a great extent is $280 = (56 \times 5)$. To discern the overall marketing

performance of the sampled firms four mean score ranges of 0 -70, 71 - 140, 141 - 210 and 211 - 280 were established to indicate whether the firms practised marketing to no extent, small extent, moderate extent or great extent respectively. This in turn helps us to discern the overall marketing performance of the sampled firms in relation to whether it is poor, fair, good or very good respectively as reflected by the final average score of all the firms. This in turn helps us to draw conclusions of the study in relation to the hypothesis of the study.

Data got through personal interviews with sampled building contractors and questionnaires for construction professionals are presented in narrative form under the corresponding questions in relation to the objectives of the study.

Out of the 155 questionnaires for building contractors distributed 85 of them were completed and collected while 20 were returned through the post. This represents a response rate of 67.74%. In relation to construction professionals, out of 52 questionnaires distributed, 41 were completed and collected representing 21 for architects, 12 for quantity surveyors and 8 for civil/structural engineers which represent a response rate of 78.84%. Their response to the questionnaires and personal interviews are as presented below.

Marketing Planning

The question in this section measured the extent to which firms perform activities entailed in the preparation of a marketing plan. The results are summarized in table 1 below.

| Extent (%) | To a great extent | To a moderate extent | To a small extent | To no extent | Total % |
|--|-------------------|----------------------|-------------------|--------------|---------|
| Planning activities | | | | | |
| . Set goals for a given period | 4 | 9 | 36 | 51 | 100 |
| . Evaluate the firm's strengths & weaknesses | 8 | 2 | 41 | 49 | 100 |
| . Evaluate the firm's business opportunities | 6 | 4 | 40 | 50 | 100 |
| . Evaluate strengths & weaknesses of competitors | 5 | 21 | 29 | 45 | 100 |
| . Establish goal priorities | 3 | 8 | 34 | 55 | 100 |
| . Organise & allocate resources aptly | 4 | 11 | 35 | 50 | 100 |
| . Evaluate & monitor goals set & achieved | 5 | 15 | 30 | 50 | 100 |
| Mean | 5 | 10 | 35 | 50 | 100 |

Table 1: Marketing Planning; Sample size N= 105

Source: Researchers' Field Survey, 1990

It is evident from the table that an average of 50% of the firms prepare a marketing plan to no extent while only 5% do it to a great extent. The table also indicates that there is a varying emphasis on the various marketing planning activities. For instance in column one, the greatest emphasis is on evaluating the firm's strengths and weakness while establishing goal priorities has the least emphasis.

In personal interviews, the firms that do not practice marketing planning gave the following main reasons for not doing so.

- a. The firms do not know what marketing planning is all about.
- b. Contracting business can be operated without it.
- c. Fluctuating nature of the demand for construction services makes planning impossible.

Personal interviews with firms who practise marketing planning revealed that few of them had formal written plans which are not very detailed and covered only periods when the firms had contracts arguing that it was impossible to plan without contracts.

Marketing Information System

The questions in this section measured the extent to which firms had established marketing information system and hence allocated their resources for operation of the system as shown in Table 2 below.

| Extent | No. of Firms | Proportion % |
|----------------------|--------------|--------------|
| To no extent | 42 | 40 |
| To a small extent | 30 | 29 |
| To a moderate extent | 25 | 24 |
| To a great extent | 8 | 7 |
| Total | 105 | 100 |

Table 2 Marketing Information System.

Source: Researcher's Field Survey, 1990.

The table indicates that 40% of the firms had not established a marketing information system and only 7% had done so to a great extent. In personal interviews with firms that had not established a marketing information system, they contended that they did not know what it is or its importance to contracting business. Personal interviews with firms that had established a marketing information system to any extent revealed that the systems were all informal and consisted mostly looking for jobs from known construction professionals and mostly architects or buying local daily newspapers especially those that advertise for government jobs.

Marketing Research

The question in this section determined whether firms carry out formal or informal marketing research and the extent they do it on various areas. The results are presented below in tables 3 and 4 respectively.

| Research Type | No. of firms | Proportion (%) |
|-------------------|--------------|----------------|
| Formal | 12 | 11 |
| Informal | 30 | 29 |
| Formal & informal | 63 | 60 |
| None | 0 | 0 |
| Total | 105 | 100 |

Table 3. Type of Marketing Research

Source: Researcher's Field Survey, 1990

It is evident from the table that all firms practice some marketing research with majority of them having both formal and informal research. The firms that were personally interviewed said that the marketing research they adopted mostly depended on whether there was work or not. When there was work, little formal research was done and vice versa. One contractor contended that informal research was a necessity whether you had a job or not so that one can always look for other jobs as the ongoing one(s) is/are in progress to ensure a stay in business.

Area of Marketing Research

| Research Extent (%) | To a great extent | To a moderate extent | To a small extent | To No Extent | Total (%) |
|------------------------------|-------------------|----------------------|-------------------|--------------|-----------|
| Research Area | | | | | |
| . Needs of clients | 6 | 13 | 34 | 47 | 100 |
| . Market potential and share | 13 | 16 | 20 | 51 | 100 |
| . Firm's public image | 8 | 12 | 35 | 45 | 100 |
| . Behaviour of competitors | 7 | 15 | 25 | 53 | 100 |
| . Business trend | 5 | 18 | 22 | 55 | 100 |
| Mean | 7.8 | 14.8 | 27.2 | 50.2 | 100 |

Table 4 : Area of Marketing Research

Source: Researcher's Field Survey, 1990.

From the table, it is clear the most common areas firms research on are the firm's market share and potential while the behaviour of competitors receive least emphasis together with business trend. Other areas contractors conduct research on are clients who are reluctant to pay for work already done or unco-operative construction professionals who over protect interests of their clients to the detriment of those of contractors. This information was got from personal interviews with some contractors.

Market Segmentation

The questions in this section measured the extent to which firms divide the construction market so as to select the most attractive market sectors to operate in. The results are presented below in table 5.

| Extent of activity (%) | To a great extent | To a moderate extent | to a small extent | to no extent | Total (%) |
|---|-------------------|----------------------|-------------------|--------------|-----------|
| Segmentation activity | | | | | |
| . Market division in terms of clients, building or geog. area | 13 | 18 | 24 | 45 | 100 |
| . Evaluate profitability of each segment | 9 | 20 | 28 | 43 | 100 |
| Mean | 11 | 19 | 26 | 44 | 100 |

Table 5: Marketing Segmentation

Source: Research Field Survey, 1990

From the table we can observe that 55% of the firms segment their market while 45% do not. Personal interviews with contractors revealed that market segmentation is mostly in terms of types of buildings depending on whether they are simple or complex structures and financial capability of the contractor to undertake the projects in relation to employment of labour and/or hire of mechanical equipment not owned by the contractor. There were no contractors identified who exclusively undertake projects for the government or private clients only. Most contractors interviewed were of the opinion that it would be uneconomical to undertake government or private client's projects only because the government might be having projects while private clients do not have and vice versa. In relation to geographical area division of the market, some contractors interviewed personally indicated that some contractors had a policy not to tender for building projects below a given amount of money outside Nairobi and other major urban centres especially when work was not scarce. They argued that some projects outside major urban centres especially where availability of labour and/or materials and transport is a problem might not be profitable in the long run but only resulted in the contractor breaking even.

Types of Clients

The question in this section determined the extent to which different types of building clients influence the methods

contractors use to obtain work. Table 6 below shows the results.

| Extent of Influence (%) | To a great extent | To a moderate extent | To a small extent | To no extent | Total (%) |
|--|-------------------|----------------------|-------------------|--------------|-----------|
| Client Type | | | | | |
| Government | 6 | 12 | 17 | 65 | 100 |
| Parastatals | 4 | 15 | 21 | 60 | 100 |
| Non-Government organizations | 13 | 19 | 14 | 54 | 100 |
| Churches | 18 | 20 | 5 | 57 | 100 |
| Private hospitals & Educational Institutions | 23 | 18 | 6 | 53 | 100 |
| Private companies | 29 | 9 | 11 | 51 | 100 |
| Individuals | 34 | 8 | 10 | 48 | 100 |
| MEAN | 18.14 | 14.42 | 12 | 55.44 | 100 |

Table 6: Types of Clients

Source: Researcher's Field Survey, 1990

From the table it can be observed that government and parastatals do not influence the methods contractors use to obtain work as such in relation to private clients. In personal interviews with contractors, they were of the opinion that no amount of marketing effort can influence government and parastatal organizations in awarding of tenders except good performance i.e. satisfactory service delivery. However, some contractors also lamented about employment of "guerrilla" tactics by some contractors to influence the awarding of government tenders and thus preventing a fair competition to prevail for

available government jobs. In relation to private clients the main tactics used to win tenders was by some contractors undercutting others in tender prices especially where clients got a chance to negotiate tender prices with contractors who cannot collude. Some contractors complained about this method because sometimes they had to operate without a profit or quit when loss was apparent before the project was complete and thus creating a bad image for all contractors. Other contractors interviewed argued that due to stiff competition for jobs in the construction market, employment of unorthodox methods to win jobs from clients was inevitable for survival though on the other hand it makes contractors be their own worst enemies as business people since there is no code of professional ethics governing contracting business as exists for professionals like architects, quantity surveyors, engineers etc. In this connection some of the interviewed contractors who were members of K.A.B.C.E.C. expressed their wishes for the association (K.A.B.C.E.C.) to harmonise construction business as a whole as happens with other professional associations. However, there is a bottleneck because it is not legally mandatory for all building contractors to be members of K.A.B.C.E.C.

Personal interviews with some contractors also indicated that registration of contractors by other client organisations apart from M.O.W. do not count very much. Most other client

organisations register building contractors who are first registered by M.O.W. which can also upgrade, downgrade or deregister them. Hence, registration by M.O.W. matters most. In addition, when it comes to tendering for jobs the factors that matters most are the contractors previous experience in similar jobs plus his resource capability (mostly financially) and employment of "guerilla" tactics to win jobs notwithstanding. The builder's construction knowledge and good relations with consultants was also cited.

Service Planning and Development

The question in this section determined the extent to which firms use service planning and development as a marketing tool. The results are presented below in table 7 below.

| Extent of activity (%) | To a great extent | To a moderate extent | To a small extent | To no extent | Total (%) |
|--|-------------------|----------------------|-------------------|--------------|-----------|
| Service planning activity | | | | | |
| . Client satisfaction survey | 3 | 44 | 53 | 0 | 100 |
| . Get views of construction professionals & subcontractors | 20 | 35 | 45 | 0 | 100 |
| . Act on the views | 14 | 18 | 22 | 46 | 100 |
| . Innovate in new production/ or management techniques | 7 | 12 | 28 | 53 | 100 |
| Mean | 11 | 27 | 37 | 25 | 100 |

Table 7: Service planning and development

Source: Researcher's Field Survey, 1990

From the table we observe that at least 25% of the firms do not engage in service planning and development by acting on views from clients, construction professionals and/or subcontractors or innovating in new production and/or management techniques. At least 11% of the firms engage in service planning and development to a great extent, 27% to a moderate extent while 37% does so to a small extent. Personal interviews with the contractors indicated that most of them engage in service planning and development informally arguing that what mattered most is the contractor's relation (whether good or bad) with the clients, construction professionals and/or subcontractors plus any other people in a building project and whether the contractor has worked with them in the past or not. In addition, contractors contended that innovation in new production or management techniques depended on the financial standing of the contractor and his investment policy in relation to any profits accruing from construction business and whether it is economical to innovate or adapt new production and/or management techniques from other contractors or business people. The issue of contractors having other business apart from building contracting was also cited as a mitigating factor in relation to service planning and also the profitability of the other businesses in relation to building contracting.

Promotional Methods

The question in this section measured the extent of which firms employ promotional methods as a marketing tool. The results are presented in table 8 below.

| Extent of Use (%) | To a great extent | To moderate extent | To a small extent | To no extent | Total (%) |
|---|-------------------|--------------------|-------------------|--------------|-----------|
| Methods | | | | | |
| Personal selling | 4 | 23 | 26 | 47 | 100 |
| Appearance of the firm's name & address in phone/business directories | 85 | 12 | 3 | 0 | 100 |
| Advertise in the mass media | 32 | 16 | 11 | 41 | 100 |
| Use of brochures, diaries, calendars etc. | 28 | 24 | 10 | 38 | 100 |
| Public relations | 2 | 3 | 13 | 82 | 100 |
| Mass media publicity | 0 | 4 | 10 | 86 | 100 |
| Sponsor building seminars etc. | 0 | 2 | 5 | 93 | 100 |
| Donate money to welfare causes | 8 | 6 | 18 | 68 | 100 |
| Mean | 19.88 | 11.25 | 12 | 56.87 | 100 |

Table 8: Promotional Methods

Source: Researcher's Field Survey , 1990

From the table we observe that 85% of the firms use telephone, business or yellow pages directories to a great extent while 3% use them to a small extent, and none of the firms do not use them. In personal interviews, contractors emphasized the importance of the directories especially the telephone and business ones. They regarded the use of the directories as synonymous as appearing in the M.O.W. register of building contractors which was only available to the government while the directories were accessible to private building clients who had no access to the M.O.W. register.

In relation to personal selling we observe that 4% of the firms employ it to a great extent, 23% to a moderate extent, 26% to a small extent and 47% to no extent. In personal interviews with contractors, it was evident that the most common method of personal selling employed by contractors was by them sending a copy of their M.O.W. registration certificate with a covering letter to potential clients asking them to consider them in future in case they have building projects. The letter is also accompanied by a list of the firm's permanent employees (including their job designations), mechanical equipment, past projects done (if any) and ongoing ones plus their clients, contract sum and period, and project consultants. For those firms not using personal selling, they said that they did not know what it is all about and that registration with M.O.W. was enough. They also said they mostly got their jobs through construction professionals introducing them to potential clients.

In relation to advertising, the table indicates that 41% of the firms do not advertise, 11% do it to a small extent, 16% to a moderate extent and 32% to a great extent. In personal interviews with some of the firms that do not advertise, they claimed that advertising was unnecessary and costly if there are no profitable jobs. Some of the firms said that advertising was unnecessary where a contractor's reputation and public image was considered to be good or a contractor knew a lot of construction professionals through which jobs can be got. For

those contractors that advertise, they said they mostly did it when there was some surplus profit from projects or when demand for building services was low especially when a firm was not big enough/or its reputation was low since registration by M.O.W. The firms claimed they mostly advertised in local daily newspapers and journals related to the construction industry. However, none of them claimed to had used the radio or T.V. They said they were in-effective though none had ever tried. For firms who considered themselves as established and/or big enough in terms of resources and considered their public image good, they claimed that site signboards and posters for ongoing projects was a better advertising than in the newspapers. They also added the issue of hiring out their mechanical equipment and vehicles to other building contractors as a better advertising than in newspapers. This is in addition to the firms issuing diaries and calendars to construction professionals especially those worked with in past projects.

In relation to public relations, the table indicates that 82% of the firms do not use it, 13% use it to a small extent, 3% to a moderate extent and 2% to a great extent. Personal interviews with contractors revealed that most of them detested the situation where lobbying for jobs interfered with fair distribution for available jobs. Five contractors interviewed personally claimed they have been the lowest tenderers in some projects but were not awarded the tenders and cited personal influence from other competing contractors as the main reasons.

Seven other firms claimed that after negotiating for jobs with clients, they later lost them to other firms who were prepared to carry out the same jobs at lower costs.

However, in relation to sponsoring construction seminars most of the firms interviewed claimed that they had not been asked to do so. But, in relation to national social events like games, they claimed that it was costly in relation to profits accruing from contracting business. Hence, most of them preferred donating money (if available) to social welfare causes.

Though the respondents were asked to quote the percentage of their annual business budget they use for promotion only 7% did so but even these ones gave unrealistic figures. Personal interviews about the issue indicated that most contractors do not have formal annual budgets for their businesses but based their expenditure on tenders won and jobs undertaken.

Marketing Channels

The questions in this section measured the extent to which firms rely on marketing intermediaries to obtain work and what they do with them. The results are presented in tables 9 and 10 below.

| Extent of use (%) | To a great extent | To a moderate extent | To a small extent | To no extent | Total (%) |
|-----------------------|-------------------|----------------------|-------------------|--------------|-----------|
| Channel | | | | | |
| • Past clients | 56 | 26 | 15 | 3 | 100 |
| • Consultants | 51 | 24 | 20 | 5 | 100 |
| • Subcontractors | 47 | 30 | 19 | 4 | 100 |
| • Materials suppliers | 39 | 35 | 23 | 3 | 100 |
| Mean | 48.25 | 28.75 | 19.25 | 3.75 | 100 |

Table 9: Channels of Marketing
Source: Researcher's Field Survey, 1990

From the table we observe that past clients are the most used marketing channel followed by consultants, subcontractors and suppliers of building materials respectively. In relation to clients, we observe that they are used as a channel by firms in 56% to a great extent, 26% to a moderate extent, 15% to a small extent and 3% to no extent. In personal interviews with contractors, the researcher found out that 37 firms had got new jobs from the same client more than once, 28 firms had got extension jobs to existing buildings previously built by them and 45 firms had got jobs after being recommended to potential clients by past clients worked for. In addition, the researcher found out that most contractors kept a list of past clients with their names and contact addresses. The firms also claimed that they frequently wrote and/or phoned past clients to enquire whether they had projects or knew potential clients with projects especially when demand for building services was low.

In relation to other marketing intermediaries, the contractors claimed that getting job through them especially the construction professionals depend on the relations established and maintained between them and the firms concerned. If the relations were good the contractors could continue to rely on the concerned intermediaries but if bad, the contractors had to try and make them good. Some contractors claimed that some construction professionals are hard to please irrespective of whatever you do to them or performed in projects they are involved. The researcher found out that the most common construction

professionals employed by contractors as marketing intermediaries are architects, quantity surveyors and civil or structural engineers in that order. The contractors interviewed claimed that the lead consultant on any project was the person they most sought for because he/she could influence the other consultants in relation to the interests of the contractors. But they also maintained that it was imperative to establish and maintain good relations with the other consultants which were unrelated (independent) to those of the lead consultant because even the other consultants might become lead consultants in other projects the contractors might be involved in future. Most of the contractors interviewed claimed that they kept a list of past construction professionals, subcontractors and suppliers of building materials with their names and contact address. They also said that sometimes enquired from past construction consultants about jobs especially when the contractors had no job. Other people used by contractors as marketing channels are their friends and/or relatives.

Dealing with Marketing Channels

Table 10 below shows how building contractors deal with marketing channels.

| Extent of action (%) | To a great extent | To a moderate extent | To a small extent | To no extent | Total (%) |
|-------------------------|-------------------|----------------------|-------------------|--------------|-----------|
| Action | | | | | |
| Identify them & reasons | 76 | 16 | 8 | 0 | 100 |
| Reciprocate them | 79 | 11 | 5 | 5 | 100 |
| Maintain relations | 82 | 9 | 5 | 4 | 100 |
| Mean | 79 | 12 | 6 | 3 | 100 |

Table 10: Dealing with Marketing Channels

Source: Researcher's Field Survey, 1990

From the table we observe that most firms try to maintain good relations established with the people who recommend them (firms) to potential clients. Personal interviews with contractors revealed that, most firms are recommended to potential clients mostly due to their past good performance in similar or related jobs and their fair prices in the view of the recommenders. Other reasons cited were ability of the firm to handle more than one job at the same time and complete them within the specified contract period with little difficulty due to cash flow problems.

Tendering for construction jobs

The question in this section determined the extent to which firms use tendering strategies to win jobs. The results are shown in table 11 below.

| Extent of use (%) | To a great extent | To a moderate extent | To a small extent | To no extent | Total (%) |
|--|-------------------|----------------------|-------------------|--------------|-----------|
| Strategy | | | | | |
| Price related to firm's goals & demand situation | 88 | 9 | 3 | 0 | 100 |
| Price related to building type & size | 78 | 17 | 5 | 0 | 100 |
| Price related to client type | 63 | 25 | 9 | 3 | 100 |
| Price related to client or geographical area | 48 | 31 | 15 | 6 | 100 |
| Mean | 69.25 | 20.5 | 8 | 2.25 | 100 |

Table 11: Tendering Strategies

Source: Researcher's Field Survey, 1990

From the table it can be observed that the most widely tendering strategy employed by firms is that related to the firm's business goals and prevailing demand for construction services. From personal interviews, it was evident that most firms had the objective of profit maximization as the most important one followed by optimum profit and/or maintaining existing level of work especially when work is scarce. This was irrespective of the client, project type and/or size.

In relation to building type and size, interviewed firms said that their influence on price depended mostly on whether they (firms) had enough resources and previous experience in similar projects. In this connection some firms claimed that they preferred tendering for jobs they could handle successfully

so as to realise some profit and get a good reputation from satisfied clients and construction consultants.

In relation to type of client, interviewed contractors said that for government projects, unreasonably low prices disqualified a firm being awarded jobs. The same applied to large private organizations. But for small time private clients especially those constructing buildings for ownership instead of commercial purposes what counted most was whether the firm was known by the client or not, the method of letting the job (negotiation or competition) and experience of the contractor.

In relation to geographical location for the project and private clients, interviewed firms revealed that what counted most was the expected profit from the project for the former. For the later price depended on whether the firm had worked for the client before and the circumstances under which the client knows (came to know) the firm and those under which the job is being let. Some firms said that they sometimes declined to tender for jobs outside major urban centres or their head office if they considered them unprofitable.

In relation to whether contractors tender for jobs below or above their M.O.W. registration category especially when clients required firms from some given category (ries) to tender, 78% of the respondents replied positively and 22% negatively.

The former gave their major reasons as scarcity of jobs sometimes, desire to prove their performance capability and reluctance of the M.O.W. to upgrade them even after proving that they can work above their registration category. The firms that replied negatively gave their major reasons as business policy not to tender for jobs above or below the firm's resource capability and non-lack of jobs to keep them operating any given time in addition to financial support from other types of businesses. However, where no category restriction was given by clients they tendered for the jobs, except when they considered their current workload as enough in relation to their resources and did not want to tender for the sake of tendering (or quoting unreasonable prices) Only to be awarded the tender and then refuse to accept it.

On whether the firms liked tendering for jobs with contract periods fixed by the clients 86% of the respondents replied positively in relation to all building types and sizes arguing that in most tenders what mattered most was price as it was the main base on which most clients awarded their jobs. 8% of the respondents did not like the system and argued that some projects' period was very hard to be fixed in advance and in most cases they feared that they might be denied extension of time unreasonably even when it became apparent that the initial contract period was short in relation to the project's complexity irrespective of which contractor carried it out. 6% of the firms did not reply to the question.

On whether firms are represented in the opening of tenders in which they are bidders 93% replied positively, 4% negatively and 3% did not reply. One of the firms that replied negatively claimed that unless you are hopeful of winning there was no need of representation.

In relation to whether firms were satisfied with the government's system of letting jobs (by competitive selective tendering) 83% of them replied negatively giving their major reasons as hinderance to growth of capable small time contractors and monopolizing (some) jobs to some firms. 17% did not reply. One contractor was concerned about the restriction of some jobs to the districts even when there were no capable contractors to handle them in the same districts.

Management of Demand for Building Services

The questions in this section measured the extent to which firms use various ways to manage the demand for their services. The results are presented below in tables 12 and 13 for excess demand and low demand respectively.

Excess Demand

From the table, we observe that the most popular ways firms deal with excess demand for construction services are hiring new staff, subcontracting work and increasing tender prices respectively.

| Extent use (%) | To a great extent | To a moderate extent | To a small extent | To no extent | Total (%) |
|--------------------|-------------------|----------------------|-------------------|--------------|-----------|
| Method | | | | | |
| Hire new staff | 84 | 11 | 5 | 0 | 100 |
| Assign work | 2 | 3 | 5 | 90 | 100 |
| Subcontract work | 72 | 18 | 6 | 4 | 100 |
| Increase price | 71 | 20 | 8 | 1 | 100 |
| Turn away clients | 8 | 51 | 36 | 5 | 100 |
| Decrease promotion | 6 | 56 | 38 | 0 | 100 |
| Mean | 40.5 | 26.5 | 16.33 | 16.67 | 100 |

Table 12: Managing Excess Demand

Source: Researcher's Field Survey, 1990

We also observe that 90% of the firms do not assign work to other firms. Field survey by the researcher found out that when some firms had a lot of work they increased their wages for skilled labour so as to win them from other contractors when there was construction business boom because during such times there is a shortage of skilled labour. In relation to increasing tender price, interviewed firms said that it was better than assigning the work to other firms or turning away clients especially those the firms had worked for in the past and would not like to lose them. In the later case, the firms preferred subcontracting the work to domestic subcontractors and thus seemed (to the clients) that they were running the contract. It even made some clients to believe that some firms were growing in size and their way of handling more work.

Managing Low demand

| Extent of use (%) | To a great extent | To a moderate extent | To a small extent | To no extent | Total (%) |
|------------------------------------|-------------------|----------------------|-------------------|--------------|-----------|
| Methods | | | | | |
| Lay off staff | 86 | 10 | 4 | 0 | 100 |
| Reduce assigning | 93 | 5 | 2 | 0 | 100 |
| Reduce subletting | 95 | 3 | 2 | 0 | 100 |
| Tender outside registered category | 63 | 0 | 7 | 30 | 100 |
| Increase promotion | 9 | 13 | 22 | 56 | 100 |
| Reduce tender sum | 53 | 7 | 0 | 40 | 100 |
| Mean | 66.5 | 6.33 | 6.17 | 21.00 | 100 |

Table 13: Managing Low Demand

Source: Researcher's Field Survey, 1990

It is evident from the table that the most common methods firms use to deal with low demand for building services are by reducing subletting, reducing assigning the work and reducing staff respectively. In addition, most of the firms do not increase their promotion efforts or reduce their tender sum. Personal interviews with the contractors also revealed that it was during the time of low demand that some firms used every means to undercut others in price especially for jobs for small private clients while other firms stopped contracting business and engaged in other types of business. Other methods specified by contractors for dealing with low demand was by acting as

domestic subcontractors to the well off surviving contractors and/or leasing their mechanical equipment to the firms who had jobs but lacked equipment and also firms needing vehicles for transport services.

Form of construction business

| Business Form | No. of firms | % |
|-------------------|--------------|-----|
| . Sole proprietor | 16 | 15 |
| . Partnership | 34 | 32 |
| . Limited company | 55 | 53 |
| Total | 105 | 100 |

Table 14: Form of Construction Business

Source: Researcher's Field Survey, 1990

From the table, we observe that most of the firms operate as limited companies, partnership and sole proprietorship respectively. Regarding partnership businesses, 19 firms had two partners, 10 had three and 5 had four. This implies that most construction firms are owned by a few persons.

In relation to the registration of the firms by M.O.W. only 27% of the firms had been upgraded once or twice since registration of which 10% were partnerships and 17% were limited companies. None of the sole proprietorship firms had been upgraded since registration.

Regarding dealing in other types of businesses apart from building contracting only 63% of the firms did so comprising 45% limited companies and 18% partnership firms but no sole proprietorship firm. Most of these other businesses were mostly sale of building materials and/or transporting them plus leasing of mechanical equipment for use in building construction.

People responsible for marketing

The question in this section determined the number of people responsible for carrying out the marketing activities in the firms. The results are shown below in table 15.

| No. of persons | No.of firms | % |
|----------------------|-------------|-----|
| . One partner | 49 | 47 |
| . Some partiners | 19 | 18 |
| . All partners | 37 | 35 |
| . Marketing employee | 0 | 0 |
| Total | 105 | 100 |

Table 15: People Responsible for Marketing
Source: Researcher's Field Survey , 1990

From the table we observe that in majority of firms (47%) marketing activities are performed and/or co-ordinated by one person. This does not augur well for the effectiveness of marketing performance especially where the firm consists of one person handling all other management tasks his experience in business management skills notwithstanding

and/or the size of the firm. We also observe that no firm had a marketing employee. The most common reasons given by most of the firms was that they did not know the importance of employing such a person and/or did not have enough money to employ many permanent employees. Other firms said that it was not necessary to employ such a person because they could operate without one since the methods for looking for jobs depended on the owners of the firm.

Problems faced by firms in their marketing efforts

Firms cited the following as some of the major problems they face in trying to obtain work and/or working for building clients.

- (i) Establishing oneself in the market after registration by M.O.W. due to stiff competition from firms already established.
- (ii) Use of negotiation by some clients to award jobs.
- (iii) Some clients awarding more than one job to one firm when there are other capable firms available.
- (iv) Not being awarded a tender when lowest in competition yet the firm that is awarded is very near your price and you cannot question the award especially for government jobs.
- (v) Use of "guerilla" tactics by some firms to get jobs and/or some firms undercutting others in price and/or dominance of the small and medium sized firms by large ones.

- vi. Lack of objectivity by some clients when awarding jobs due to influence of their consultants and/or political interference in some government jobs.
- vii. Being involved in contracts with no fluctuation.
- viii. Refusal by banks to give loans to building contractors making the firm's mobilisation efforts difficult especially where there are no other sources of money.
- ix. Inability of contractors to enforce their rights in a contract for fear of creating bad relations with the consultants and/or clients and be victimised unreasonably.
- x. Specification of materials not available locally and problems of getting import licences and/or biased work supervision by some consultants.
- xi. Delayed or irregular payments for work done and refusal by some clients to pay or underpay for extra work done.
- xii. Unreasonable denial of time extension especially where contractor is not responsible for delay.
- xiii. Inability to recover money from bankrupt clients for work done already before bankruptcy.
- xiv. Lack of materials; qualified personnel and/or equipment when there is a lot of work and/or the firm cannot get credit facilities from suppliers of materials.
- xv. Dealing with Unco-operative subcontractors and other tradesmen involved in a contract.

Regarding how the firms solved or tried to solve these problems they said that it needed personal tact of the contractor in a bid to deal with clients, construction professionals, competitors, subcontractors suppliers of building materials and other people involved in a project. The firms stressed the importance of dealing with a problem on its own merit and people individually depending on creating good relations and understanding with them and also understanding their likes and dislikes under the prevailing circumstances.

Firms branches

In relation to the number of branches the firms had since registration by M.O.W., 82% of the responding firms had one branch office, 18% had two and none had three or more. However, this information cannot clearly indicate whether a given firm had grown in size or not because the growth of a firm can either be vertical (concentrated in one place in terms of resources) or horizontal which entails the firm establishing branch offices. Each type of growth depends on the desires of the firm's owners.

Permanent Personnel employed

Regarding the number of permanent skilled personnel (excluding the secretary/typist) employed by the firms since registration by M.O.W. and still working for the firms, 10% of the firms had four (manager, estimator, accountant and foreman/site agent); 25% of the firms had three (manager, estimator and foreman); 25% of the firms had three (manager, estimator and foreman);

26% had two (manager and estimator); 8% had only the manager and 3% had none but were managed by the owners. However, this information cannot clearly indicate whether a given firm has grown in size or not because as indicated elsewhere in this chapter building contractors have tendency of hiring new staff temporarily when demand for construction services is high and laying them off when demand is low. The researcher did not enquire about the type and number of mechanical equipment owned by the firms because of the tendency of construction firms to hire equipment which they do not have in case they have a project at hand or sublet part of the work.

Projects undertaken

In relation to projects carried out or ongoing by the firms, 52% of the respondents indicated that they handle an average of three projects per year, 27% of the firms indicated that they handle an average of four while 21% indicated that they handle average of five projects per year. In relation to clients, the firms indicated that 76% of the projects were of private clients while 24% were from the government. Regarding the cost of the projects, it was evident that all the firms undertake projects of large cost sometimes and low cost other times with no consistency as to whether the firm's operations were growing or decreasing. Regarding profit, 75% of the firms indicated a percentate of 0 - 5 for the projects undertaken while 25% of the firms did not respond. In relation to the manner of getting jobs, it was evident that most of the projects are got by negotiation, selective tendering and open competitive tendering respectively.

In relation to whether the firms had handled more than one job at the same time 51% of the firms responded in the positive and 49% in the negative.

On whether the firms had been unable to complete any projects and why, 23% of firms responded in the positive and 77% in the negative. The main reasons given for non-completion were clients' bankruptcy, the clients' refusal to pay contractors for work already done and/or determination (termination) of the contract by the client due to contractors' faults especially misunderstanding between the contractors and clients and/or clients' advisers.

Response By Construction Professionals

Criteria for contractor selection

Regarding the factors that construction professionals consider when selecting building contractors on behalf of their clients, the respondents listed the following factors in order of importance from the most important to the least important.

- i. Firm's experience in similar type and/or size of work.
- ii. Firm's public image and reputation in relation to its performance in construction industry.
- iii. Firm's reputation in relation to its relations (working) with past clients.
- iv. Firm's working relations with construction professionals
- v. Firm's size in terms of its permanently employed staff and mechanical equipment.
- vi. Firm's financial capability in terms of its fixed and current assets and mostly cash in the bank at the time of tender.

- (vii) Firm's inability to complete jobs due to its own problems especially cashflow or bankruptcy.
- (viii) Firm's construction speed.
- (ix) Technical and/or managerial knowledge and experience of the firm's permanent and/or temporary staff.
- (x) Firm's quality of work supervision in relation to knowledge and experience of its site manager(s).
- (xi) M.O.W. registration category of the firm.
- (xii) Adequacy of the firm's management structure in relation to type and size of the project.
- (xiii) Adequacy of the firm's own mechanical equipment in relation to the project.
- (xiv) Firm's ability to work to given specifications.
- (xv) Firm's site organisation and planning.
- (xvi) Provision of performance bond, surety and insurance for the works by the firm.
- (xvii) Firm's special advantages over other firms in the same M.O.W. registration category.
- (xviii) Firm's current workload.
- (xix) Range of work the firm is capable of performing.
- (xx) Tendency of the firm to subcontract work informally to domestic subcontractors.
- (xxi) Firm's working relations with nominated subcontractors and suppliers of building materials in past projects.
- (xxii) Amount of work to be subcontracted to specialist subcontractors.

How contractors can improve their current marketing practices

On what and how building contractors should do to improve their current methods of obtaining work and doing the same to the satisfaction of clients the respondents gave the following major suggestions.

- (i) The firms should do all they can to satisfy the clients served and consultants on the project.
- (ii) The firms should only take up projects they can handle with the resources they have. Hence, firms should avoid taking up too many projects at the same time and none of the projects gets completed in time and/or to clients' satisfaction.
- (iii) Firms should only take up jobs they are capable of carrying out instead of starting on complex ones and then defaulting before completion and thus creating a bad reputation for themselves.
- (iv) Firms should put maximum concentration on any projects taken instead of getting involved with other types of business at the same time and thus making the projects not to be completed on time and/or to specifications due to poor workmanship and supervision.
- (v) Firms should always change the way they handle building clients and construction professionals on any project since each individual and/or project is unique and needs to be handled according to his/its own merit. The same applies to other people involved in the building industry especially subcontractors and suppliers of building materials.
- (vi) Firms should motivate their employees so as to make their productivity enhance the completion of projects by making them not to delay the work/or leaving when the project

is incomplete making the contractors work with many different employees on one project.

- vii. Firms should have good co-ordination between office and site operations which should be well organised and planned.
- viii. Firms should always endeavour to build up and maintain good reputation and relations with building consultants.
- ix. Firms should not underprice projects only to be awarded them and after working on them for some time they default after realising that there is not profit in the projects.
- x. Firms should avoid subcontracting work to domestic subcontractors who might spoil it and thus make the contractors to have bad reputation.
- xi. Firms should avoid diverting money for building projects to other uses before the projects are complete.
- xii. Firms should not tender for jobs they are not ready to undertake when awarded.
- xiii. Firms with enough money and whose owners do not have management skills should employ skilled people to run them especially when they (firms) grow in terms of operations.
- xiv. When a contractor has a job he should programme his cashflow properly to ensure that delay or irregular payments by the client do not jeopardize his (contractor's) progress.
- xv. Firms should always ensure that they are not the cause of determination of contracts.

xvi. Firms should try to manage their business professionally with formal management approach instead of relying too much on informal management techniques which sometimes do not help them (firms) to evaluate the success or failure of their business operations.

5.19 Score rating summary for data with score rating ranking

In relation to the marketing tasks and tools with score rating, the following is the summary of the score rating as shown by Table 16 below.

| Marketing performance | Mean (%) | No. of firms (Builders) | Score Rate | Total Mean Score |
|-----------------------|----------|-------------------------|------------|------------------|
| To no extent | 32 | 33 | 0 | 0 |
| To a small extent | 18 | 19 | 1 | 19 |
| To a moderate extent | 16 | 17 | 3 | 51 |
| To a great extent | 34 | 36 | 5 | 180 |
| TOTAL | 100 | 105 | - | 250 |

Table 16 : Score Rating Summary

Source: Researcher's Field Survey, 1990.

•The mean of the total score = $250 \div 4 = 62.5$.

Since the mean lies in the lowest score range of 0 - 70, we find that the sampled firms have poor marketing practices.

The mean of the total score = $250 \div 4 = 62.5$ where 250 represents the sum of the total mean score for each marketing attribute for all sampled firms and 4 represents the number of performance rating and score ranges for each marketing attribute considered. The mean of the total score of 62.5 lies in the lowest score range of 0 - 70 corresponding with poor marketing performance. Score ranges of 0 - 70 (poor), 71 - 140 (fair), 141 - 210 (good) and 211 - 280 (very good) were established during the conceptual model build-up to help the researcher to gauge the overall marketing performance of sampled firms after data analysis. Since the mean total score of 62.5 of the sampled firms lies in the score range corresponding with poor marketing performance, this implies that the sampled firms and consequently (by induction) Kenyan building contractors have poor marketing practices.

Hence, data collection, analysis and subsequent interpretation of the findings has enabled the researcher to achieve the study objectives in relation to the hypothesis put forth for the study. Primary data required from the field determined design of the questionnaires to enhance response by respondents and hence facilitate achievement of the study objectives. Personal interviews with some respondents supplemented information got from the questionnaires. Collection and analysis of secondary data from published and unpublished works in the library laid the background for the study hence achievement of the study objectives by helping in laying the groundwork for field survey for primary data collection.

Summary

The chapter has dealt with data analysis, presentation and interpretation of the research findings. Data for building contractors obtained through use of questionnaires has been presented using tables using arithmetic means and percentages while data (for both building contractors and professionals) got through personal interviews has been presented in narrative form which is also employed to interpret information in the tables. The research findings arising out of data analysis and interpretation in this chapter forms the basis of Chapter Six which deals with conclusions and recommendations of the study.

CHAPTER 6

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter gives a summary of the findings of the research in relation to the questions raised in the objectives of the study. It also includes conclusions based on the analysis of the acquired data in relation to the hypothesis of the study. In addition, it includes recommendations of the study and suggestions on areas of further research.

Summary

The main subject of the study is marketing practices by building contractors in Kenya. In this connection, the existing marketing behaviour of the building firms was analysed and evaluated to establish whether they practise and use the marketing tasks and tools that constitute the marketing management process in a marketing oriented organisation.

To facilitate the understanding of the marketing behaviour of building contractors the evolution of building contracting business in the country was appraised. This is because the evolution of business strategy and organisational structure follow the evolution of firm's business management practices and growth. In addition, construction firms adjust their organisational structures in order to pursue particular business strategies as they evolve (grow) in building contracting business. From the appraisal it was found that building contracting business as practised in the country today is modelled in the British fashion due to colonisation of the country by Britain in the early 19th Century. However, the growth of the business in relation to how firm's market their services seems to have been hampered by the government's move to "Kenyanize" the

building industry as in other sectors of the economy after the country gained independence. Establishment of N.C.C. seems to have made African contractors complacent in their business management approach since they were always assured of government work. On the other hand, it made non-African contractors to vigorously establish themselves since they were not catered for by N.C.C. leading to the present situation whereby non-African contractors (mostly Asians) dominate the construction industry. With the "death" of N.C.C. serious African contractors seems to have woken up to realities of operating with little favour from the government unless they are capable for the jobs like non-African contractors. This also seems to have made some African contractors to realize that they can compete seriously for big projects with the non-African contractors without fear.

In relation to how characteristics of the construction industry affect building contractors in their marketing practices, it was found that contractors are on the receiving end most of the times due to factors that make contracting business complex and uncertain to operate. Hence, only those contractors who manage their business in a marketing oriented way has a chance of success. Marketing management helps in the running of complex and uncertain businesses like building contracting because it helps firms to plan, organise and co-ordinate their resources and tasks effectively in times of no, low or high demand for their services. The importance of marketing management function in the running of businesses gave the rationale for investigating of how contractors react to the characteristics of the building industry.

Three marketing management models have been examined in a bid to develop a theoretical model for evaluation of marketing

performance by building contractors. The goals model is mainly concerned with setting of marketing goals with little emphasis on how they are to be achieved. Though goals are important in any business undertaking, how they are to be achieved is more important. Setting good goals does not imply that they are achieved. The systems model considers the marketing management process as a whole. It considers the setting of marketing goals and how they are to be achieved and with what tools. The model helps firms to identify their business problems from within the organisation and from the external environment. It also gives the firms a dynamic setting and helps them to forecast business opportunities. Hence, the model is apt for building contracting business due to the factors that makes it complex and uncertain to operate. The steering marketing control model deals with how firms set their marketing goals, how to achieve them and how to measure the overall marketing performance of the firm. The ability to measure marketing performance enables firms to identify marketing tasks and tools that need emphasis in subsequent management cycles (in relation to the plan period). This ensures that the firm's marketing resources are utilised economically.

If the marketing tasks and tools are employed effectively and efficiently by a firm, it is expected that the firm's business will succeed. However, the research got the following findings in relation to how building contractors in the country practise marketing in their businesses.

Regarding how firms organise their marketing activities, it was found that firms do not have marketing employees within their organisations. It was also found that in most firms the marketing activities are performed and/or co-ordinated by one or

two people who are mostly the owners of the firm.

On marketing planning, it was found that most firms do not practise it and the few who do, do it informally,

On marketing information system establishment, it was found that only a few firms had done so informally. In addition only few firms were found to be practising formal marketing research from which marketing information could be got. This implies that most firms make uninformed decisions which is not good for a complex business like building contracting.

Regarding market segmentation, it was found that only a few firms practise it to a great extent in terms of types of buildings the firms are capable of handling in relation to their resource capacity.

In relation to how clients influence the methods firms employ to obtain work, it was found that public sector clients had less influence than private ones. It was also found that some unscrupulous firms do not care whether a fair competition for jobs exist or not so long as they has their way. This creates a bad image of the contractors to clients and/or construction professionals. It also decreases the bargaining power of building contractors in any job offers they get.

On service planning and development, it was found that most firms practise it to a small extent especially in relation to client satisfction survey and innovation in new production or management techniques. Client satisfaction survey is important for firms who endeavour to improve their services to subsequent clients.

Regarding promotional methods, it was found that the most common method employed by firms is by them appearing (name and address)

in telephone or business directories. Personal selling which is a very important promotional method for services was found to be employed by firms to a small or no extent. The promotion methods least employed were found to be sponsorship of building seminars, mass media publicity and public relations respectively. It was also found that most firms do not budget for their marketing activities and advertise to a small or no extent.

On marketing channels, it was found that they are extensively employed by firms as a means of getting jobs. The most common marketing channels employed by firms are past clients, construction professionals and subcontractors respectively.

Regarding how contractors deal with marketing channels, it was found that most firms try as best as they can to establish and maintain good relations with them.

On the employment of tendering strategies, it was found that the most common tendering strategy adopted by most firms is that of relating price to the firms business goals and policy and prevailing demand for building services. The tendering strategy least employed by firms is that of relating price to type of client or geographical area of operation in relation to whether urban or rural in which the client or project is located. It was also found that most firms tender for jobs below or above their M.O.W registration category because of the fluctuating nature of demand for buildings. In addition, the research also revealed that contract periods for projects has very little influence on tender price. This is due to tendency of building clients to use price alone as basis of selecting contractors.

On how firms manage excess demand for construction services, it was found that the most common methods employed by most firms are

hiring new staff temporarily, subcontracting work and increasing tender price respectively. It was also found that most firms do not assign work to others when faced with excess demand.

On how firms deal with low demand, it was found that the most common methods employed by most firms are reducing subcontracting, assigning and laying off some staff respectively.

Regarding problems firms face in their marketing efforts, it was found that the most common problems are new firms getting unfair competition from established ones, favouring of some firms for government jobs, use of unfair means by some firms to win jobs, bias against some firms by some construction professionals, delayed or irregular payments by clients and inability of firms to enforce their rights in building contracts for fear of being victimised maliciously by the project consultants and/or creation of bad relations with clients who might talk badly about the firms to potential clients.

The major objective of the study which was to investigate whether Kenyan building contractors employ any, some or all marketing tools and if they do, to what degree or extent to reflect their marketing behaviour, has been achieved through data collection in the field using questionnaires and personal interviews and subsequent analysis and interpretation of the findings. The other minor objective of determining the circumstances under which Kenyan building contractors manage their businesses was achieved through collection and analysis of secondary data from published and

unpublished works in books, magazines, dissertations or papers by other scholars as part of the library information search for the study.

Conclusions

The main conclusions of this study are that:-

- (i) The marketing practices of Kenyan building contractors is generally poor.
- (ii) Most Kenyan building contractors do not appreciate the importance of applying marketing management techniques in the management of their businesses.
- (iii) Most Kenyan building contractors do not employ persons with business and/or marketing management skills.
- (iv) Use of unorthodox or mediocre and/or informal methods businesswise to get jobs makes building contractors believe that they are the best way of operating their businesses only for them to become helpless when the said methods fail to help the business achieve set goals.
- (v) Most Kenyan building contractors do not have formal and/or effective ways and means of monitoring and evaluating the success or failure of their business achievements.

From the above conclusions, research findings from data collection and analysis, the hypothesis that the achievements of Kenyan building contractors have been poor because they do not market their services is accepted.

Recommendations

The ways and means of how building contractors could employ marketing management techniques for their own benefit and hence overcome their business management problems and that of the whole building industry have been explicitly suggested and/or implied from the context of the study setting, discussion of theoretical framework of the study together with data collection and analysis.

Hence, a summary of the main recommendations of this study, arising out of research findings and conclusions are:-

- (i) Kenyan building contractors should (try to) employ marketing tools in the management of their businesses.
- (ii) Owners of building contracting firms without business and/or marketing management skills should employ a person(s) with those skills to market the firm's services or temporary hire the services of such a person if full employment is not feasible.
- (iii) Kenyan building contractors should (endeavour to) manage their businesses formally to supplement and complement informal management methods.
- (iv) Kenyan building contractors should (try to) strengthen K.A.B.C.E.C. and make it recognised by the government like other professional associations so as to enhance their image and role in the building industry, enhance their business ethics by preventing unfair business practices by other scrupulous contractors employing unorthodox and unethical methods to get

jobs from clients and enhance fair competition and distribution of available jobs by making clients (mostly government) minimise or eliminate awarding of jobs by negotiating with one contractor and/or awarding many jobs to one contractor at the same time when there are other capable contractors.

- (v) Building professionals working for building clients should not be unreasonably biased against building contractors in their bid to protect the interests of the clients and hamper the contractors' bid to satisfy the client who employs both of them.
- (vi) Building contractors should always relate their business goals to satisfaction of clients to enhance growth of their businesses.

Areas for Further Research

In view of the important role played by building contractors in the building industry, the researcher recommends that a study be carried out to investigate how building contractors can be made to operate like other professional firms so as to make them be on almost equal basis with other consultants in the building industry and other industries. This can entail investigating how building contractors perform in other business management functions apart from marketing and see how this affects the successful operation of building contracting business.

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APPENDIX I

SAMPLE LETTER TO BUILDING CONTRACTORS

Dear Sir,

I am a postgraduate student at Nairobi University conducting a research on how building contractors in Kenya market their services for the purposes of fulfillment of the requirements of the Masters Degree in Building Management.

Your firm has been selected to be included in the study. As a result, I kindly request you to assist me by filling the attached questionnaire to make useful contribution to the study which is of vital benefit to building contractors in their business.

To enable me complete the research in time I will pick the questionnaire from your office after two weeks by which period I hope you shall have found time to complete filling it.

Your cooperation will be greatly appreciated to make the research successful.

Yours sincerely,

Signed _____

J.N. GITANG'I
(M.A. STUDENT)

Signed _____

PROF. G.K. KING'ORIAH
(PROJ. SUPERVISOR)

APPENDIX 1A

SAMPLE LETTER TO BUILDING CONTRACTORS

Dear Sir,

I am a postgraduate student at the University of Nairobi conducting a research on how building contractors in Kenya market their services for the purpose of fulfilment of the requirements of the Master of Arts Degree in Building Management.

Your firm has been selected to be included in the study. As a result, I kindly request you to assist me by filling the attached questionnaire to make useful contribution to the study which is of vital benefit to building contractors in their business.

To enable me complete the research in time, I request you to return the questionnaire within two weeks in the self addressed and stamped envelope by which time I hope you shall have found time to complete filling it.

Your cooperation will be greatly appreciated to make the research successful.

Yours faithfully,

Signed

J.N. GITANG'I
(M.A. STUDENT)

Signed

PROFESSOR G.K. KING'ORIAH
(PROJECT SUPERVISOR)

APPENDIX II

SAMPLE LETTER TO BUILDING CONSULTANTS

Dear Sir,

I am a Postgraduate student at Nairobi University conducting a research on how building contractors in Kenya market their services for the purpose of the fulfillment of the requirements of the Masters Degree in Building Management.

Your firm as one that liaise between building clients and building contractors has been selected to be included in the study. As a result, I kindly request you to assist me by filling the attached questionnaire to make useful contribution to the study for the benefit of the building industry.

To enable me complete the research in time, I will pick up the questionnaire from your office after one week by which time I hope you shall have found time to complete filling it.

Your cooperation will be greatly appreciated to make the research successful.

Yours sincerely,

Signed

J.N. GITANG'I
(M.A. STUDENT)

Signed

PROF. G.K. KING'ORIAH
(PROJ. SUPERVISOR)

APPENDIX III

QUESTIONNAIRE FOR BUILDING CONTRACTORS

Please answer the following questions by placing a tick (✓) in one of the spaces provided or give details where necessary:

Section A

| (1) To what extent does your firm perform the following activities to prepare a business plan? | To a great extent | To a moderate extent | To a small extent | To no extent |
|--|-------------------|----------------------|-------------------|--------------|
| (i) Set goals to be achieved | () | () | () | () |
| (ii) Evaluate your firm's strengths and weaknesses | () | () | () | () |
| (iii) Evaluate the strengths and weaknesses of competitors | () | () | () | () |
| (iv) Evaluate and monitor the state of the construction market | () | () | () | () |
| (v) Establish priorities of the set goals | () | () | () | () |
| (vi) Organize and allocate money or staff to achieve the set goals | () | () | () | () |
| (vii) Evaluate and monitor goals achieved in relation to original set ones | () | () | () | () |

2. A. To what extent has your firm developed a marketing information system in terms of the following?

- (i) Established a dept. in the firm to manage the information required for decision making () () () ()
- (ii) Allocate some staff, money and/or equipment for gathering, analysing and distributing information () () () ()

B. To what extent does your firm gather information about the following?

- (i) Needs and behaviour of building clients () () () ()
- (ii) Market potential and share of the firm () () () ()
- (iii) Firm's public image and reputation () () () ()
- (iv) Behaviour of competitors () () () ()
- (v) Business trend in relation to the economy () () () ()

3. To what extent does your firm perform the following activities?

- i) Divide the market in terms of types, of clients, buildings or urban/rural area. () () () ()
- ii) Evaluate the profitability of each market division so as to select the most attractive to operate in () () () ()

4. To what extent does the following types of clients influence the methods you use to obtain work.

- i) Government ministries () () () ()
- ii) Government parastatals () () () ()
- iii) Non-Government organisation () () () ()
- iv) Religious organisations (churches) () () () ()
- v) Private educational institutions and hospitals () () () ()
- vi) Private companies () () () ()
- vii) Individual persons () () () ()

5. To what extent does your firm perform the following activities?

- i) Evaluate and monitor satisfaction of past clients worked for () () () ()

- | | | | | | |
|------|--|-----|-----|-----|-----|
| ii) | Record and analyse suggestions and complaints of past clients, construction professionals and subcontractors | () | () | () | () |
| iii) | Act on suggestions/or complaints of past clients, construction professionals or/ subcontractors | () | () | () | () |
| iv) | Develop/or train staff in new construction technology/or managerial techniques | () | () | () | () |
| 6. | To what extent does your firm use the following pricing methods in a bid to win tenders? | () | () | () | () |
| i) | Quote prices in relation to goals of the firm and prevailing demand situation | () | () | () | () |
| ii) | Quote different prices for the same type and size of buildings in all geographical areas. | () | () | () | () |
| iii) | Quote different prices for the same type of clients in different geographical areas | () | () | () | () |
| iv) | Quote low prices for jobs of new clients | () | () | () | () |

- v) Other methods
(please specify)

7. A. To what extent does your firm rely on the following people to indirectly obtain work by them recommending it to potential clients?

- i) Past clients () () () ()
- ii) Constuction professionals () () () ()
- iii) Subcontractors () () () ()
- iv) Suppliers of building materials () () () ()
- v) Others () () () ()

B. To what extent does your firm perform the following activities to deal with people who recommend it to potential clients?

- i) Identify them and the reasons for their recommendation () () () ()
- ii) Reciprocate them in the best possible way. () () () ()
- iii) Maintain and enhance good personal relations with them () () () ()

8. To what extent does your firm use the following promotion methods? (Indicate % of annual business budget used for each method)

- i) Personal contact with potential clients by visit, telephone or direct mail (%) () () ()
- ii) Appear in telephone/business/ or yellow pages directories () () () ()
- iii) Advertise in radio, newspapers, TV or journals (%) () () ()
- iv) Give diaries, calendars, brochures, etc, with firm's logo, name and address to past clients and known construction professionals (%) () () ()
- v) Sponsor construction technology seminars or popular national social events like games (%) () () ()
- vi) Contribute money to good causes eg Disabled Person's Fund (%) () () ()
- vii) Publicity in the media during start, progress and end of contracts () () () ()
- viii) Other methods (please specify)

9. A. To what extent does your firm use the following methods to deal with excess demand for construction services?

- i) Hire new staff () () () ()
- ii) Assign work () () () ()
- iii) Sublet work () () () ()
- iv) Increase tender sum for potential jobs unreasonably () () () (9
- v) Turn away prospective clients/ decline to tender for some jobs () () () (9
- vi) Decrease promotion efforts () () () (9
- vii) Other methods (please specify)

B. To what extent does your firm use the following methods to deal with low demand for construction services?

- i) Lay off some staff () () () ()
- ii) Reduce assigning () () () ()
- iii) Reduce subletting () () () ()
- iv) Reduce tender sum for potential jobs () () () (9
- v) Tender for jobs outside your registration category () () () ()
- vi) Increase promotion efforts () () () (9
- vii) Other methods (please specify)

Section B

Answer the following questions by placing a tick (✓) in one or more of the spaces or give details where necessary?

1. A. What is the form of your construction business?
 - i) Sole proprietorship (one person) ()
 - ii) Partnership (No. of person) ()
 - iii) A private limited company ()

- B. What is the Registration Category of your firm by Ministry of Works?

- C. When was your firm registered by Ministry of Works?

- D. What other business(es) does your firm deal with apart from building construction?

2. A. How many persons in the firm ensure the firm obtains work due to their marketing management skills?
 - i) One partner/owner ()
 - ii) Some of the partners (How many)? ()
 - iii) One employee ()
 - iv) None ()

- B. If your firm does not have a partner or employee with marketing management skills, what are the reasons?
- (i) Small size of the firm in terms of work it can handle ()
 - (ii) Lack of enough money to employ a marketing person ()
 - (iii) Management policy of the firm not to employ such a person ()
 - (iv) Other reasons (please specify)

- 3A. If your firm gathers information for decision-making, what is the nature of the methods used to gather the information?
- (i) Formal (planned and organised) ()
 - (ii) Informal (unplanned and not organised) ()
 - (iii) Both formal and informal ()
 - (iv) None ()

- B. What are the reasons for your answer in 3A?
- (i) Business goals to be achieved ()
 - (ii) Management information system of the firm is/is not developed ()
 - (iii) Availability of enough money/qualified staff ()
 - (iv) Management policy of the firm to use the method it thinks best ()
 - (v) Other reasons (please specify)

4. A. In which of the following areas does your firm specialise in?
- i) Types of clients (state whether public or private: () ())
 - ii) Types of buildings (which one?) ()
 - iii) Urban/or rural areas?() ()

B. What are the reasons for your answer in #A?

C. Does your firm tender for jobs above or below its registration category sometimes?

Yes () No ()

D. What are the reasons for your answer in #C?

5. A. What problems does your firm encounter in trying to obtain work/or working for building clients?

B. How do you (try to) solve the problems?

6. Please indicate below the number of projects got and completed (or ongoing) by your firm since registration by Ministry of Works (including % of profit expected/ or obtained).

| Year | Proj. (type of building) | Client (public or private) | Tender sum(Kshs) | % Profit |
|-----------|--------------------------|----------------------------|------------------|----------|
| Upto 1984 | 1) | | | |
| | 2) | | | |
| | 3) | | | |
| | 4) | | | |
| | 5) | | | |

- 1985
- 1)
 - 2)
 - 3)
 - 4)
 - 5)

- 1986
- 1)
 - 2)
 - 3)
 - 4)
 - 5)

- 1987
- 1)
 - 2)
 - 3)
 - 4)
 - 5)

- 1988
- 1)
 - 2)
 - 3)
 - 4)
 - 5)

- 1989
- 1)
 - 2)
 - 3)
 - 4)
 - 5)

- 1990
- 1)
 - 2)
 - 3)
 - 4)
 - 5)

B. Please indicate below the number of permanent qualified staff employed by the firm since registration by Ministry of Works.

| <u>Type of Staff</u> | Upto 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|----------------------------|--------------|------|------|------|------|------|------|
| 1) Manager | | | | | | | |
| 2) Estimator | | | | | | | |
| 3) Accountant | | | | | | | |
| 4) Foreman(site agent) | | | | | | | |
| 5) Secretary | | | | | | | |
| 6) Others (please specify) | | | | | | | |

C. Please indicate below the number of branches of your firm since registration by M.O.W.

| Year | Upto 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|------|--------------|------|------|------|------|------|------|
|------|--------------|------|------|------|------|------|------|

Number

6. Please indicate below the number of projects got by your firm since registration by M.O.W. through -

- i) Negotiation
- ii) Selective tendering (prequalification)
- iii) Open tendering

7. A. Have your firm ever been stopped by the client from completing a project? YES () NO ()

B. If yes, how many times?

C. What were the reasons?

APPENDIX IIIA

INTERVIEW GUIDE FOR BUILDING CONTRACTORS

Date:

Contractor's Name:

Registration Category:

- 1) Go through each question in the questionnaire to examine how the filling has been done and ask the respondent any problems encountered or other issues he considers important in relation to the issues raised.

- 2) A. Is your business plan in written form?
Yes () No ()
B. If yes, is it detailed or not, and what is included in it and if not, why?
C. What period does the plan cover and why?

- 3) A. Does your firm has a business policy on the types of clients or buildings to tender for?
Yes () No ()
B. If yes, which ones and if not, why?

- 4) A. Apart from M.O.W., with how many client organisations is your firm registered and why?
B. Do you know the number of firms in the same M.O.W. registration category as your firm?
Yes () No ()

- C. If yes, how many and if not, why?
- 5) A. Is your firm a member of K.A.B.C.E.C.?
Yes () No. ()
- B. If yes, since when, and if not, why?
- C. How many times has your firm been upgraded, down graded or deregistered by M.O.W. and why?
- 6) A. Do you measure your firm's public image and reputation? Yes () No ()
- B. If yes, how and if not, why?
- 7) Which newspaper or journals does your firm buy and why?
- 8) A. How many times has your firm got new jobs from the same client more than once?
- B. What about extension jobs to existing building previously built by your firm?
- C. What do you consider to be the main reasons for getting repeat jobs from the same client?
- 9) A. How many times has your firm used recommendations of your past clients to win tenders?
- B. How many times has your firm used recommendations of architects, quantity surveyors or engineers (you have been associated with in past projects) to win tenders?
- C.

- C. How many times has your firm worked with the same architects, quantity surveyors, engineers or sub-contractors in different projects and why?
- 10) A. How many times has your firm been the lowest tenderer but not awarded the tender and what do you consider were the main reasons?
- B. How many times has your firm handled more than one job at the same time?
- C. How many projects has your firm been unable to complete and why?
- 11) A. Does your firm keep a list of past clients?
Yes () No ()
- B. If yes, some or all, and if not, why?
- 12) A. Does your firm keep a list of construction professionals, subcontractors and suppliers of building materials worked with in past projects? Yes () No ()
- B. If yes, some or all, and not, why?
- 13) A. Does your firm like tendering for jobs with fixed contract periods (by clients)?
Yes () No ()
- B. If yes, which ones and if not, why?

- 14) A. Is your firm represented in opening of tenders in which it is a bidder? Yes ()
No ()
- B. If yes some or all, and if not, why?
- 15) A. Are you satisfied with the present system of awarding government building tenders?
Yes () No ()
- B. If yes, why and if not, what do you consider to be the main weaknesses and how can they be removed?
- 16) A. Does your firm has its own mechanical equipment? Yes () No ()
- B. If yes, are they enough for its operations and if not, why?
- 17) How many times has your firm since registration by M.O.W. acted as a subcontractor and why?
- 18) A. How many times has your firm been involved in government projects being supervised by private consultants?
- B. Does your firm like working with private consultants in government projects? Yes ()
No ()
- C. If yes, what kind of project and which construction professionals and if not, why?

APPENDIX IV

QUESTIONNAIRE FOR CONSTRUCTION PROFESSIONALS

- 1) Rank the following factors that need to be considered when selecting a building contractor in any building project in order of importance from the most to the least important in your opinion.
 - i) M.O.W. registration category of the firm.
 - ii) Firm's size in terms of permanently employed staff and mechanical equipment owned by the firm.
 - iii) Technical and/or managerial knowledge and experience of the firm's permanent staff.
 - iv) Adequacy of the firm's management structure in relation to type and size of the project.
 - v) Adequacy of the firm's own mechanical equipment in relation to essential construction tasks.
 - vi) Firm's financial capability in terms of fixed and current assets and mostly cash in the bank at the time of tender.
 - vii) Firm's experience in similar type and/ or size of work.
 - viii) Firm's construction speed.
 - ix) Firm's ability to work to given specifications.
 - x) Firm's public image and reputation in relation to performance in the construction industry.
 - xi) Firm's site organisation and planning.
 - xii) Firm's current work load.

- xiii) Firm's quality of work supervision in relation to knowledge and experience of its foreman or site manager(s).
 - xiv) Range of work the firm is capable to perform.
 - (xv) The firm's special advantage over others in the same M.O.W. category.
 - (xvi) Tendancy of the firm to subcontract or sublet work informally to domestic sub-contractors.
 - (xvii) Amount of work to be subcontracted to specialist sub-contractors.
 - (xviii) Firm's reputation in relation to (working) relations with past clients.
 - (xix) Firm's (working) relations with construction professionals working on client's behalf in past projects.
 - (xx) Firm's (working) relations with sub-contractors and suppliers of building materials in past projects.
 - (xxi) Firm's inability to complete jobs due to its own problems (default or bankruptcy).
 - (xxii) Provision of performance bond and surety plus insurance for the works by the firm.
- 2) Please give suggestions on what and how building contractors should do to improve their methods of obtaining (more) work.