An Assessment of the Threats and Opportunities of Globalization on Building Practice in Nigeria

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Abstract

Organized building practice in Nigeria which began in the 1930s is still saddled with a lot of inherent challenges ranging from inadequate human, material and equipment resources development, to non availability (or poor implementation) of uniform regulations, guidelines and standards for the building processes. Globalization, with its attendant free flow of goods and services, has brought further challenges to the already troubled arena of building practice in Nigeria. This paper assessed the threats and opportunities of globalization on Nigeria's building practice. It was effected by means of literature review and field survey in which perceptions of relevant building industry professionals on identified indices of globalization threat and opportunities; were analyzed along with secondary data obtained from relevant institutions in Nigeria. The results show that all the assessed indices obtained either the 'high' or 'very high' relative importance index (RII) ratings. The secondary data revealed debit balance of payment for construction services and materials; and increasing foreign direct investment (FDI) over the years (3.96 – 12.70 billion Naira from 2000 to 2008). Conclusion was reached that globalization has significant effects on building practice in Nigeria, with evident threats and opportunities which industry players should recognize and .adequately respond to, for survival.

Key Words: Building Practice in Nigeria, Globalization; Globalization Threats; Globalization Opportunities

1.0 Introduction

Building is as old as humanity whose product it is; and has evolved through centuries of activities, from dwelling in caves to skyscrapers and recently to intelligent structures that can smartly respond to stimuli in its environment. Mosaku et al (2006) observed that building practice has also undergone a great deal of metamorphosis in response to the dynamic nature of human needs and development. Essentially however, building design and construction are processes which traditionally involve several professionals collaborating for relatively short periods to develop a facility (Anumba 2006). The building process may also be grouped into three major phases: the conception/design phase, construction phase and operation or use phase (Horsely et al 2003). The conception and design phase is when most of the decisions that influence the performance of the building are made; the construction phase represents the actualization stage when much of the capital cost is incurred; and the operation or use phase account for the greatest proportion of time period of the building life – usually in the range of 60 – 100 years, as against the few weeks, months or years usually used for the first two phases.

Building practice entails the entire system that defines procedure and standards for all three phases of the building process; as well as spells out the responsibilities and interaction among the building industry professionals – town planners, architects, builders, engineers, quantity surveyors and estate managers.

Two phenomena – free market economy and advancement in information and communication technology (ICT) are simultaneously working for the fast transformation of the whole world into a global village where goods and services can be made available with minimum restrictions and delays. The project team for a building may therefore involve partners from widely distributed geographical areas, sometimes on different continents (Madigan 1993). For example a project in Nigeria, with a Nigerian client, could have a French architect, a British engineer, an Italian constructor, Japanese subcontractors and Korean material supplier. Such a global construction environment requires uniform (global) standard and quality of the built environment. This makes improvement an imperative for local players' survival.

It has also been observed that globalization accentuates the asymmetry between groups who have the capital, skills and mobility to flourish in global market and those who do not have these advantages. It also provides opportunities for enterprises to link up and grow (or sink) in accordance with their status in quality, popularity and demand (Atolagbe 2009). Russel (2000) saw globalization as a trend that means two things: immense opportunity and immense competition.

In Nigeria today, the focus on infrastructural development by federal and state governments as well as the privatization and commercialization policy, are contributing to an unprecedented boom in the construction and property sectors (allafrica.com 2010). There is massive demand for buildings across all sectors of the economy. All these are attractions for global construction players. There is however shortage of skilled manual labour, relatively high cost of engaging managerial staff, shortage of building materials and escalating security challenges

This paper examines the threats and opportunities of globalization on building practice in Nigeria, by means of available literature, statistics (secondary data) and expert opinion survey.

2.0 Literature

2.1 Building Practice in Nigeria

Organized building practice in Nigeria dates back to the 1930s when the very few construction activities of significance in the country were handled by the Public Works Department (PWD) and the Royal Army Engineers which was later transformed into the Nigerian Army Engineers. Direct labour was the mode of construction project delivery at this time. Construction contracting in Nigeria began in the 1940s with a few British and Italian companies coming into operation (Olowo-Okere 1985). Nigeria's independence in 1960 brought an upward trend in construction activities and until the late sixties, most of the available construction organizations were over-stressed with contracts. Construction contracting in Nigeria witnessed an overwhelming upsurge during the "oil boom" of the 1970s and up to the end of the second republic in 1983. Unfortunately, the period also witnessed an unprecedented level of degeneration of standards in the project delivery process. Projects were poorly conceived, carelessly planned and shabbily executed. The result was unreasonably high time and cost overruns, low quality and widespread abandonment.

This widespread abuse of the contract system was probably responsible for the National Council of Work's recommendations in its 13th annual conference in 1984. It recommended direct labour system for capital project delivery, which gained wide acceptance at all the three tiers of government, under the military government of that era. Although some impressive results were obtained at the initial stage of this regime (Dawaki, 1987; Anonymous 1989); abuses were also later discovered. For example, it has been said that direct labour projects are usually ineffectively managed to the extent that it may become even costlier and longer to execute projects than when the contract approach is used (Machina 1989, Sanni 2007). What is of fundamental importance therefore may not be the mode of delivery adopted but the integrity, managerial and professional competence of the executors.

The public sector constitutes the major client of the construction industry in Nigeria, and the traditional approach in this sector is to handle building design and construction in two separate phases and by two separate teams – the design and construction teams. The design team usually consist of consultant or in-house professionals such as: architect, quantity surveyor, structural engineer and services engineer (electrical and mechanical). The construction team, on the other hand, usually consists of a major constructor and a number of sub-contractors who are selected on the basis of lump sum competitive tender, undertaken after completion of most of the design activities. This approach offers the lowest chance for integration of construction experience into design. The result is the delay of project execution and high level of difference between the designed and constructed products. Gidado (1996) and Ogunsanmi (1997) opined that the system of contract procurement is a strong factor in determining the nature of relationships between the design and the construction teams. Other procurement methods that aim at better integration of the two sets of experience, and better overall project success have also evolved in the country. Such other methods include: management contracting, construction management, partnering and design and build.

Until 2006, Nigeria was without uniform regulations, guidelines and standards for the design, construction and operation/maintenance of buildings. This manifested in a range of deplorable state of affairs in the building construction industry and in the built environment.

The building construction industry became an all comers field, patronizing non professionals and utilizing untested and uncertified materials and components. This in turn resulted to incessant collapse of buildings, fire infernos and other disasters. The built environment, to say the least, became unsustainable, and towns and cities largely characterized by planlessness. In view of these, the National Council on Housing and Urban Development instituted the process of evolving a National Building Code which sought to proffer solutions to the hazardous trends in the building construction industry. The code provided the minimum standards for building pre-design, design, construction and post-construction with a view to ensuring quality, safety and proficiency in the building industry. The code has since been accorded a legal status in the country. What has remained an enormous task is the enforcement and wide application throughout the country.

2.2 Globalization

Globalization is a process characterized by liberalization of economy of nations the world over. Under this process, economic activities are free from institutional controls and this enhances free market mechanism, private enterprises, open competition, professionalism and excellence in corporate governance. Globalization promotes specialization and application of the principle of comparative advantage on a global scale so as to further develop the entire world's resources. Globalization breaks down all barriers, separating nations and continents and thereby making the world a global village. Ogunmba and Iroham (2006) identified three basic forces that drive the progress of globalization. First is the advances in transportation and communication, which have reduced costs and increased the accessibility of formerly far-away places. Today, everything is broadcast, e-mailed, cabled or faxed to almost everywhere on this planet. Second, tastes (including those of building design, urban design, construction materials and so on) have changed generally to favour taking advantages of the opportunities created by decease in costs of transportation and communication. Third economic policies such as the emergence of the World Trade Organization (which prohibits government restrictions of free flow of goods across borders), currency devaluation, integration of markets and emergence of regional trading blocs such as ECOWAS, SADC, EU etc, have removed barriers and considerably influence the economic character and pace of the world. The logic of globalization is the expansion of trade and investment in search of new markets and more competitive production sites. Companies can choose where they want to locate and people where they want to live, in a global market. Globalization entails international human migration, international trade in goods and services, international movements of capital and integration of national financial markets.

2.3 Threats and Opportunities of Globalization to Building Practice

Nigeria is a developing country and her building practice is still grappling with a lot of inherent challenges, ranging from inadequate technical and managerial know-how to insufficient financial, material and equipment capital base (Oluwakiyesi 2011). It has been observed that globalization does not affect countries and professions in the same way. Some countries and professions appear to be on the whole, the beneficiaries of globalization, while others are obviously the victims (CIB 2004). It appears that those who fall more into the victim category are the developing countries. Globalization is however a reality and its subtle but steady and increasing effects on building practice in Nigeria can be discussed under two headings: threats and opportunities.

Threats: From Ofori (2001), CIB (2004) and Idoro (2009), the threats of globalization are as follows:

Foreign companies having a larger share of available projects.
Import of building materials being much higher than the export.
More import of professional services than the export.
Diminished opportunities for indigenous professionals.
Diminished opportunities for local contractors' growth due to competition from their more capitalized and better equipped foreign counterparts.
Eradication of indigenous cultural identity expressed through buildings and the built environment.
Obsolescence of some local skills due to changes in technology.

Opportunities: Globalization also brings about some opportunities for the local building practice.
Larger market due to involvement of international finance. Direct foreign investment on projects leads to increase in construction demand.
Competition between foreign firms enhances value for money of projects in the host country.
Possibility for technology transfer and development of local firms.

Building construction standardization arising from adoption of uniform international standards.
Increase in application of information technology among indigenous companies and professionals.
Rise in clients' taste due to exposure to international standards.
More opportunities for linkages and operation beyond Nigeria's borders.

3.0 Methodology

A survey of expert opinion on threats and opportunities of globalization on Nigeria's building practice was conducted. A well structured questionnaire was designed and administered to senior ranking construction professionals on selected projects in Abuja, the capital of Nigeria. A total of fifty (50) of the questionnaires were distributed out of which forty three (43) representing 86% were properly completed and returned. The major issues addressed in the survey include: levels of relevance of globalization drivers, threat and opportunity indices, on building practice in Nigeria.

Relevant secondary data from publications of the Central Bank of Nigeria (CBN) and the National Bureau of Statistics were also obtained and analyzed. .

3.1 Data Analysis Procedure

Most of the questions in the questionnaire involve assessing some indices of globalization on a five (5) point Likert's scale. The data analysis therefore employed the following steps.

a. Computation of the mean using the weighted average formula

$$\bar{x} = \frac{\Sigma fx}{\Sigma f}$$

Where: $\bar{x}$ = mean
x = points on the Likert's scale (1, 2, 3, and 4)
f = frequency of respondents' choice of each point on the scale

b. Computation of the relative importance index (RII) for each item of interest, using the formula

$$\text{RII} = \frac{\Sigma fx}{\Sigma f} \cdot \frac{1}{k} = \frac{\bar{x}}{k}$$

Where k= maximum point on the Likert's scale (in this case, k=4 or 5 as the case may be)

c. Ranking of the items under consideration based on their RII values. The item with the highest RII value is ranked first (1) the next (2) and so on.

d. Interpretation of the RII values as follows:
RII < 0.60, item is assessed to have low rating
$0.60 \leq$ RII <0.80, item assessed to have high rating.
RII $\geq$ 0.80, item assessed to have very high rating.

3.2 *Data Presentation and Analysis*

Data from the expert opinion survey are presented in Tables 1 to 3 while those from the Central Bank of Nigeria and the National Bureau of Statistics are presented in Figures 1 and 2 and Table 4.

Table 1: Relevance of Construction Globalization Drivers to Nigeria's Building Practice

S/No	Drivers	Weighting (x)/Response Frequency (f)					Σf	$\bar{X}$	RII	Rank
		1	2	3	4	5				
1	Construction market boom	3	4	1	16	19	43	4.02	0.80	2nd
2	Bilateral and Multilateral agreements	1	3	4	22	13	43	4.00	0.80	2nd
3	Participation in large international projects	2	1	10	14	16	43	3.95	0.79	6th
4	Development in information technology	0	2	7	22	12	43	4.02	0.80	2nd
5	Transportation systems development	1	6	13	13	10	43	3.58	0.72	7th
6	Scarcity of competent local technological and managerial manpower	2	1	6	19	15	43	4.02	0.80	2nd
7	International legislation such as the free Trade Agreement (Trade Liberalization)	0	1	2	21	19	43	4.35	0.81	1st

Source: Field Survey (May – July 2011)
1 = very irrelevant; 2 = irrelevant; 3 = fairly relevant; 4 = relevant; 5 = very relevant

Table 2: Relevance of Globalization Threats to Nigeria's Building Practice

S/No	Threats	Weighing (x)/Response Frequency (f)					Σf	$\bar{X}$	RII	Rank
		1	2	3	4	5				
1	Building material import greater than the export	1	5	9	12	16	43	3.86	0.77	4th
2	Professional services import much greater than the export	1	2	10	10	20	43	4.21	0.84	1st
3	Foreign companies win a larger share of available building construction jobs	2	2	12	10	17	43	3.88	0.78	3rd
4	Fewer opportunities for local constructors' development	2	6	10	9	16	43	3.72	0.74	5th
5	Diminished opportunities for indigenous professionals' development	2	7	10	12	12	43	3.95	0.79	2nd
6	Loss of some local professional bodies powers to global institutions	4	5	7	12	15	43	3.67	0.73	6th
7	Obsolescence of some local skills due to changes in technology	5	2	12	13	11	43	3.53	0.71	7th

Source: Field Survey (May – July 2011)

Table 3: Relevance of Construction Opportunities to Nigeria's Building Practice

S/No.	Opportunities	Weighting (x)/Response Frequency (f)					Σf	$\bar{X}$	RII	Rank
		1	2	3	4	5				
1	Increased activity in the industry due to foreign finance involvement	2	3	2	21	15	43	4.02	0.80	1st
2	Value for money enhancement due to competition among foreign companies	2	3	6	15	17	43	3.98	0.80	1st
3	Increased opportunity for technology transfer and development of local companies	3	3	4	13	20	43	4.02	0.80	1st
4	Building construction standardization through adoption of uniform international standards	3	3	5	12	20	43	4.00	0.80	1st
5	Growth in ICT application among indigenous companies and professionals	3	3	4	16	17	43	3.95	0.79	5th
6	Rise in clients taste due to exposure to international standards	2	4	9	17	11	43	3.72	0.74	6th
7	More opportunities for linkages and operation beyond Nigeria's borders	3	9	6	15	10	43	3.47	0.69	7th

Source: Field Survey (May – July 2011)

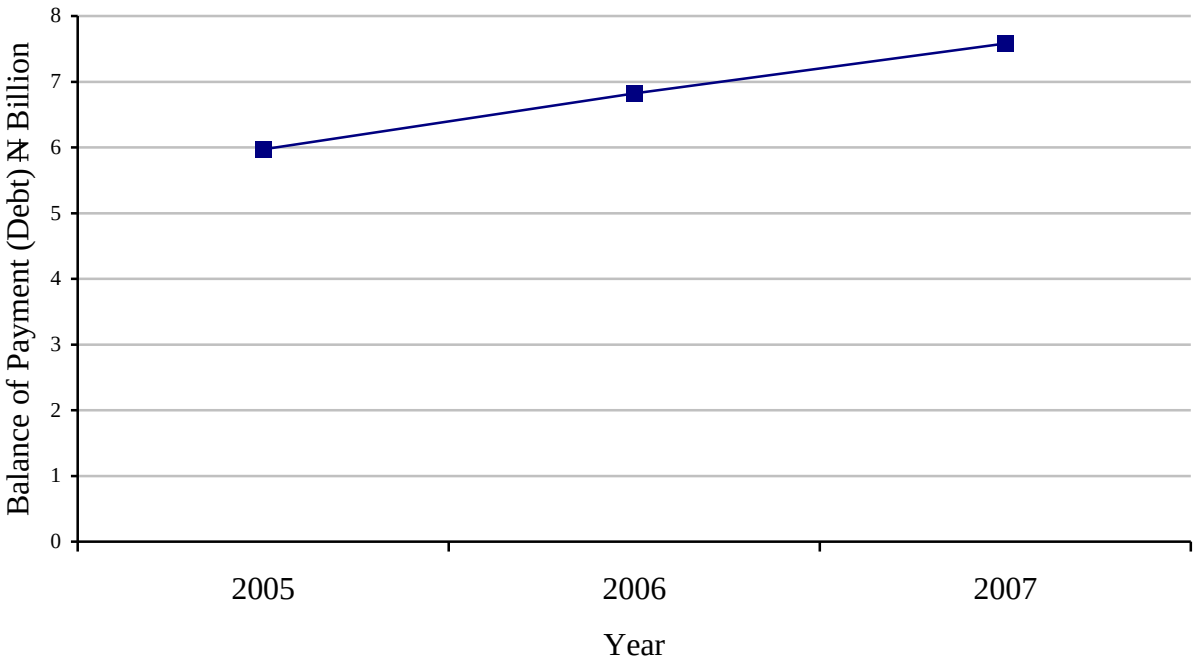

Fig. 1: Construction Services Balance of Payment
Source: Central Bank of Nigeria (2011)

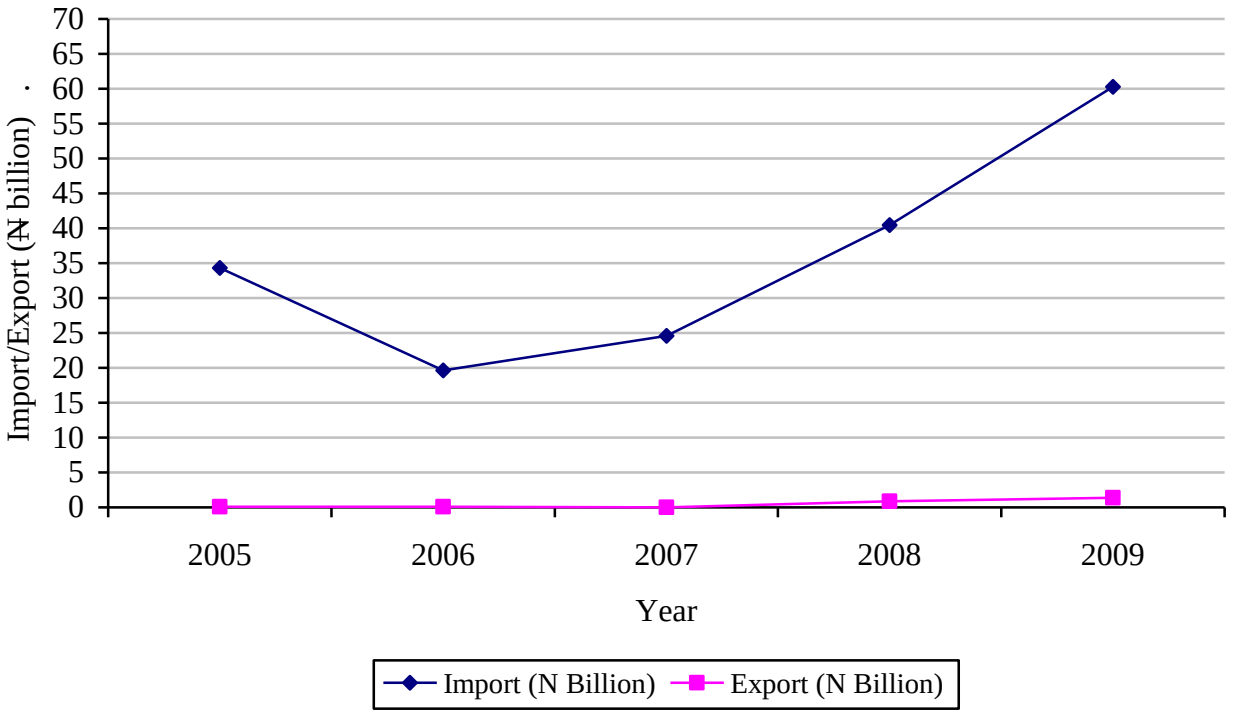

Fig. 2: Construction Materials Import and Export
Source: National Bureau of Statistics – Foreign Trade Statistics (2011)

Table 4: Foreign Direct Investment FDI into Nigeria's Building Construction Sector

Year	FDI Inflow (Billion Naira)	FDI Inflow to Building Construction Sector (Billion Naira)	Contribution FDI in Building Construction Sector to the total FDI (%)
2000	157.54	3.96	2.50
2001	162.34	4.21	2.60
2002	166.63	4.29	2.60
2003	178.48	4.55	2.50
2004	249.22	5.19	2.10
2005	269.84	6.71	2.10
2006	302.84	10.46	2.20
2007	364.01	12.03	2.10
2008	397.40	12.70	2.20

Source: Central Bank of Nigeria Statistical Bulletin (2008).

Discussion of Results

4.1 Globalization Drivers

The level of relevance of the globalization driving factors is "very high" for five out of the seven factors (RII $\geq$ 0.80). It is "high" for the remaining two (Table 1). Trade liberalization however ranked first by the level of relevance, with RII = 0.87. Construction market boom, Development in IT, scarcity of competent local technological and managerial manpower tied to the second position (with RII = 0.80).

Globalization Threats to Nigeria's Building Practice

Table 2 shows that the RII for four out of the seven tested globalization threat factors can be rounded off to 0.80, which implies "very high" level of relevance. The remaining three factors (with RII approximately equal to 0.70) fall within the "high" level of relevance range. Of these globalization threat factors, "professional services import greater than the export (RII = 0.84) ranked first. It is followed by "diminished opportunities for indigenous professionals' development" (RII = 0.79). The data from the Central Bank of Nigeria confirms this as it reveals a debit construction services balance of payment in the range of 6.60 to 8.80 billion naira (Fig. 1). Similarly Fig. 2 confirms that imports of building materials (19.61 to 60.29 billion naira) are much greater than the exports (0.01 to 1.36 billion naira).

4.3 Globalization Opportunities

The level of relevance of globalization opportunity factors is predominantly in the "very high" range, as five out of the seven factors had RII either equal or approximately equal to 0.80. Only two of the factors are in the "high" level of relevance range (Table 3). "Increased activity in the industry due to foreign finance involvement" tied with three other factors to the first ranking position. Table 4 supports this as it shows increasing foreign direct investment (FDI) over the period studied.

5.0 Conclusion and Recommendation

5.1 Conclusion

Globalization has significant effect on building practice in Nigeria. The driving factors are very much operational and the threat and opportunity indices are evident. Whether building practice in Nigeria becomes a victim or a beneficiary of globalization will depend on how the players in the sector brace up to contend with the threats and to exploit the opportunities. At the moment with a debit balance of trade in professional services and construction materials, foreign companies domination of project execution, and diminishing opportunities for indigenous professionals' development; Nigeria's building practice looks more like a victim than a beneficiary of globalization.

5.2 Recommendation

The three tiers of government in Nigeria (Federal, State and Local) together with relevant building industry professional bodies should work out deliberate policies and strategies (assistance schemes) for enhancing the global competitiveness of indigenous construction firms and professionals. The example of Singapore and China would be very helpful in this regards.

Indigenous construction small and medium enterprises (SMES) should be enlightened and encouraged to form mergers so as to attain to the large financial, equipment, technical and managerial capital base necessary for effective operation in the global market.

Improvement should be the watch word for the survival of the building industry professionals and SMEs. The threat and opportunity factors addressed in this work should instruct and direct the quest for improvement

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