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STRATEGIES ADOPTED BY NIGERIAN CONSTRUCTION FIRMS IN A RECESSIVE ECONOMY

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ABSTRACT

Nigerian economy is currently in recession with extreme financial pressures on all sectors of the nation's economy. The construction industry is particularly affected with significant reduction in the number of construction projects available for various categories of construction organisations in the country. As a result, a number of construction organisations are downsizing, lack capacity to tender for new jobs, folding-up due to lack of strategies to adapt to economic downturn. The purpose of this paper is to examine the survival strategies of Nigerian contractors in the period of economic recession in the construction industry with a view to formulating strategies for survival in response to economic downturn. Structured questionnaires were administered to personnel in the construction organisations using snowball sampling technique and a total of 35 questionnaires returned were analysed using simple frequency, percentages and mean score with the aid of SPSS 20.0 and Excel 2010 packages. The result shows that most contractors opt for reduced tender pricing, stringent cost control measures, stricter site management procedures, effective relationship management with clients and diversification of business interest. In order to survive the period of economic down turn, contractors should exhibit prompt response to changes caused by external factors so as to remain in construction business. The findings provide guidelines for industry contractors on essential options to consider in the period of dwindling economic activities in the construction industry.

Keywords: construction industry, contractors, recession, strategies, survival.

INTRODUCTION

The construction industry is one of the main pillars of Nigeria's economy. Its importance is recognized in terms of its significant contribution to Nigeria's economic and infrastructure development.

In recent times, Nigeria's economy has mainly suffered from two recession periods namely the global economic crises in 2007-08 and 2016 till date. By the end of 2015, Nigerian currency had experienced significant losses in value with respect to the U.S. dollar and was being complicated by the multiple exchange rates. The effect of the downturn has dealt a devastating blow to the Nigerian Contractors. The reasons for the recession has been attributed to: Oil price decline of 56.39% from 2014's peak, Sharp oil production drop of

26.3%, Partly due to underinvestment, and compounded by Delta Avengers sabotage (Rewane, 2016).

Reduced trade and industrial production, unemployment, recession entrepreneurs, decreased volatility of financial markets, and reduced business travels are all symptoms of the effects of economic downturn of any country and their impact depend on the level of government response and proper economic initiatives (Vincent, Orunsolu, Bamgboye, & Adebayo, 2010). These symptoms are fully manifested in our country and as a direct use; construction contracting firms in Nigeria are finding it difficult to stay afloat and leading to collapse of others in extreme cases. This research is to ensure the survivability of construction firms and prevent them from insolvency and bankruptcy as a direct consequence of recession by providing answers to the following questions: What are the causes of failure of contractors in Nigeria during recession?; What are the survival strategies for contractors in Nigeria in response to the recession?

The construction business has recorded the second highest failure rate among all types of business (Clough and Sears, 2000 as cited by To 2009). Compared with other industries, a contractor is at far more risk than his counterparts (Kangari, 1988). Nigeria is of no exception and the higher likelihood of business failures in the local construction market underpins this research study. Understanding the factors leading to business failure in a recessive period can help in the identification of early warnings of impending financial crises. Nigerian economy is fraught with fluctuations as shown in figure 1 below making it important for construction practitioners to predict their company's financial distress as well as providing a clear indication for professionals to deal with and manage risk effectively (To, 2009).

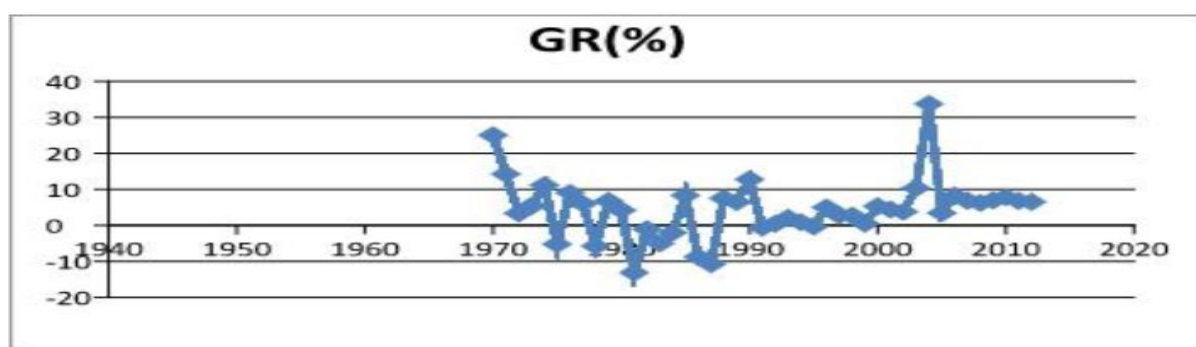


Figure 4: The trend of Nigerian economy (1970-2012)

Source: Data from the Central Bank of Nigeria adapted from Asogwa et al (2014)

Asogwa et al (2014) observed that declining Investments, commodity price collapse, capital market downturn, divestment by foreign investors have caused a decline in Economic growth in Nigeria. This gives rise to the need for an appropriate form of strategy devised by construction firms to avoid insolvency and/or bankruptcy. Therefore, before formulating an appropriate strategy, there is a need to diagnose the causes of failure of contractors during times of recession.

Definition of Business Failure

Frederikslust (1978) defined failure as an inability of a firm to pay its obligation as a consequence of a sharp decline in sales, as a result of recession, the loss of an important customer, shortage of new materials and deficiencies of management. Altman (1968) defined failure from an economic perspective in two ways. The first way is that a company is

considered to have failed if the realized rate of return on invested capital with allowances for risk considerations is significantly and continually lower than prevailing rates of similar investment. Going by these definitions, in order to ameliorate the negative impact of a slump economy, contracting firms must devise a strategy of surviving through thick and thin.

REASONS FOR CURRENT RECESSION IN NIGERIA

Slutsky (1936) in Asogwa et al (2014) identified three components in business cycle fluctuations — as shown in Figure 2 below



Figure 2: Frisch-Slutsky Business Cycle Paradigm (adapted from Asogwa et al, 2014)

Asogwa et al (2014) explained that the first component is a shock that triggers business cycle. However, the shocks that are produced may have varying identity from the impulse that started them because the impulse acts through a propagation mechanism that converts one-time shocks into persistent business cycle fluctuations. Propagation mechanism is the middle stage which converts the process into business fluctuations. The third and the final components is the business cycle which is the end-product of the reaction of the impulse in the economy. The shocks can be monetary, fiscal policies, shift in desired consumption, Investments, Oil price shocks etc. however the shocks rocking the present economy as identified by Temitayo (2016) are: Inability of the previous administration to save; Nigeria's over-dependence on foreign products; Economic policies of the present administration; The delay and controversies of the 2016 budget; The activities of militants and pipeline vandals; The existence of wasteful and abuse-prone subsidies; The different actions (or inactions) of the Central Bank of Nigeria in forestalling recession.

Asoqwo et al (2014) in a study on causes and strategies adopted by construction firms in recessive periods identified the following as prevalent strategies: cost cutting strategies; financial strategies; investment in marketing; investment in research and development; diversification in construction related businesses; developing overseas market; forming joint venture; developing merger and acquisition; increasing in the use of subcontracting; undertaking smaller projects; improving relationship with subcontractors; improving relationship with suppliers; improving relationship with clients; and concentrating on core business. All these were the strategies identified and harnessed by firms in Uk and Hong Kong in their study using review of literature.

METHODOLOGY

This study was carried out among construction contracting firms of all categories in Nigeria. A descriptive Cross-sectional survey design was used whereby structured questionnaire was administered in eliciting information from respondents using snowball sampling method. The sample size of 100 was determined using a z-score of 1.96 and standard deviation of 20. Both descriptive and inferential statistical tools were used in analysing the data collected. Data for the study were processed and analysed using simple frequency, percentages and mean score with the aid of the Statistical Packages for Social Sciences (SPSS 20.0) and Excel 2010

packages. A total of 100 questionnaires were sent and 65 completed questionnaires were returned. 35 of the returned questionnaires were properly filled and were used for analysis. The response rate is 35%. Among the questionnaires, 70 questionnaires were distributed to contracting firms with 1-7 employees (small size contracting firm), 20 questionnaires were distributed to contracting firms with 8-114 employees (medium size contracting firm) and 10 were distributed to contracting firms with more than 115 employees (big size contracting firms).

RESULTS AND DISCUSSION

Demographic information of respondents

Of all the respondents with completed questionnaires, only 1 respondent works with the big size general contracting firm, 2 with medium size contractors (1-General Contractor; 1-Electrical Contractor) and 32 respondents work with small size contractor (28-General Contractors; 3-Electrical Contractors; 1-Mechanical Contractor). Table 3.1 shows the details of the response rate.

Table 1: Details of Response Rate.

Category	Total Sent	Percentage of total sent	Number of Respondents	Percentage response in the firm category
Small size firms (1-7 employees)	70	70%	32 (28-General Contractors; 3-Electrical Contractors; 1-Mechanical Contractor)	45.71%
Medium size firms (8-114 employees)	20	20%	2 (1-General Contractor; 1-Electrical Contractor)	10%
Large size firms (115+ employees)	10	10%	1 (1-General Contractor)	10%
Total	100	100%	35	35%

It can be seen that the Small size firms (1-7 employees) have the highest response rate with 45.71%. On the other hand, the medium and small size firms have the lowest and equal response rates which is only 10%.

Owing to the nature of this investigation, majority of respondents were either MD's, CEOs or Directors of the firms. The fact that the respondents are senior members of their respective firms gives an assurance that the information they provide is reliable. A few are however from specialized services firms who may have different strategies adopted to cope with the recession. 6-respondents (18.75%) work in firms that were established below 10-years ago; 19-respondents (59.38%) work in firms that were established over 10-years ago but not more than 20-years of existence; while 7-respondents (21.88%) work with firms that were established between 21-30 years ago. This shows that more than 80% of the respondents have experienced more than one period of recession in the country, the last being in 2008-2009 (the global economic recession).

Table 2: Effect of Current Recession on the Companies.

		Type of Contractor			
		General Contractor	Mechanical Contractor	Electrical Contractor	Others
Severity of Recession	Extremely Severe	2	0	0	0
	Very Severe	4	0	0	0
	Severe	1	0	0	0
	Moderately Severe	6	0	0	0
	Not at all or Negligible	7	1	4	0
Introduction of Debt Financing	Significant Level	0	0	0	0
	Moderate Level	0	0	0	0
	Minimum Level	0	0	0	0
	Negligible Level	2	0	0	0
	No Introduction	28	1	4	0
Overseas Market participation	Very Often	0	0	0	0
	Often	0	0	0	0
	Sometimes	1	0	0	0
	Not Often	0	0	0	0
	Not at All	29	1	4	0

Source: Author's field survey (2017)

Effect of current recession on the companies

The respondents' perception on the impact of recession on their companies according to table 2 revealed that, for small size firms there are 2-respondents whose firms are extremely affected by recession; 4 who are very severely affected; 1 respondent's firm that has been severely affected by recession; 6 respondents firms who are moderately affected and 19-respondents' firms that are not affected at all by recession. The 2-respondents from the medium size construction firms, affirmed that they are moderately affected by the current recession. The only respondent from the large size firms claim that the current recession has not really affected their operation.

The percentage of firms being both “extremely” and “very severely” affected by the recession is lower than those that are “not moderately” to “negligibly” affected by recession. Observably, all of them are local contractors with no overseas market share and are not entirely suffering from the decline in the total amount of building and civil engineering work. The low impact of recession is explained by both diversification in both sectors of building and civil engineering sector and possession of TETFUND project which helps to counteract the local recession. The respondents in the mechanical and electrical contracting firms perceive the impact of current recession as moderate because they conduct works at a subcontracting level. Being specialists, the competition is not as intense as that of main contractors.

The majority of the small sized contractors and large sized contractors agreed that there is a moderate decline in the amount of jobs being handled at a particular time. It goes without saying that the economic environment has a degree of impact on the performance of contractors.

Effect of debt financing on current recession

None of the small and large size firms had introduced more debt financing to combat the recession between 2016 and 2017 than they had already done in the past. For medium size firms, the level of debt financing is at negligible level. The majority of small sized contractors and large sized contractors did not employ more debt which reveals that it is not an essential strategy to ensure survival. Basically because employing more debt financing implies the need for a greater ability to meet the principal and interest repayment.

Effect of overseas business on current recession

The effect of doing business outside the shores of Nigeria and its effect on the company's ability to withstand recession was elicited from the respondents. For the small and medium sized firms, none of them perform overseas construction business. However, for the large size firm, the respondents confirmed that they sometimes carry out offshore construction business and it accounted for about 25% of their turnover in 2016. All small and medium sized contractors did not participate in overseas market during the recession between 2016 and 2017. The reason being that they could not afford to venture into the foreign market due to their small size and lack of capital. There is only 1 large sized firm who participated in overseas market and the remaining focused on the local market.

Impact of recession on the firms

Virtually all the contractors suffered from the decline in domestic construction output upon which they had been either seriously or mildly affected. The contractors in both small and medium size firms considered as negligible the decline in overseas works as they were never involved in them *ab initio*. For the large size firm, the respondent also agreed to a negligible impact on their company's trading position simply because the recession currently being experienced is localized only to Nigeria. The effect of excessive labour resources were perceived as mild by all categories of contractors. Impact of Excessive inventories (i.e. materials, plant etc.) was considered to be mild by the large construction firms but of negligible impact by both small and medium firms. Excess indebtedness (e.g. principal and interest) was perceived to be of negligible impact by all the respondents in all the categories of the firms. Cash flow problem was perceived to be a serious problem as a result of the recession by all the categories of firms.

Table 3: Impact of recession on the firms

		IMPORTANCE																	
		LOW.....HIGH																	
		1			2			3			4			5			AVERAGE SCORE		
		Small firm	Medium Firm	Large Firm	Small firm	Medium Firm	Large Firm	Small firm	Medium Firm	Large Firm	Small firm	Medium Firm	Large Firm	Small firm	Medium Firm	Large Firm	Small firm	Medium Firm	Large Firm
A	Macroeconomic conditions of the construction Industry																		
	High interest rate	0	0	0	0	0	0	0	0	0	0	0	0	32	2	1	5	5	5
	Decline in the number of invitations to tender	0	0	0	0	0	0	0	0	0	0	0	0	32	2	1	5	5	5
	Worldwide recession	32	2	1	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1
	International competition	7	0	0	25	2	0	0	0	1	0		0	0	0	0	1.78	2	3
B	Decision Within the firm																		
	Poor financial control	32	2	1	0	0	0	0	0	0	0	0	0	0	0	0	1.00	1.00	1.00
	Lack of management maturity	32	2	1	0	0	0	0	0	0	0	0	0	0	0	0	1.00	1.00	1.00
	Expansion of company through mergers and acquisition	32	2	1	0	0	0	0	0	0	0	0	0	0	0	0	1.00	1.00	1.00
C	Actions of other firms																		
	Increased competition	0	0	0	0	0	0	0	0	0	0	0	0	32	2	1	5.00	5.00	5.00
	Credit limits imposed from bank	0	0	0	0	0	0	0	0	0	0	0	0	32	2	1	5.00	5.00	5.00
	Creditors defaulting in payment	0	0	0	0	0	0	0	0	0	0	0	0	32	2	1	5.00	5.00	5.00
	Innovations introduced by competitors (e.g. advanced construction technology etc.)	4	0	0	28	2	1	0	0	0	0	0	0	0	0	0	1.88	2.00	2.00

Source: Author's field survey (2017)

The findings reveal that the decline in domestic sales and cash flow problem represent the most fundamental problem that had been encountered by all firm categories. Considering the rest of the problems, although the recession had caused mild extent associated with excess human resources, excess inventories and excess indebtedness to the company performance, it is manifest that the main driving forces for these problems is the lack of domestic sales and the reduction in the worth of works executed as a result of fluctuation arising from inflation and devaluation of naira.

Contributing factors to companies' problems in recessive periods

Among the 11 factors leading to the causes of failure categorized under macroeconomic conditions of the construction industry, decision within the firm and actions of other firms, 'Decline in the number of invitation to tender' has the highest average scores for all category of contractors. 'Increased competition' is ranked the second highest and 'High interest rate' is ranked the third highest. On the other side of continuum, 'Expansion of company through mergers and acquisition between 2016/2017 scores the lowest, followed by 'Over expansion of range of products and services provided within the same period'.

The findings reveal that decline in the invitation to tender is a major problem for all sizes of contractors. The decline in the invitation to tender is categorized under the factor of macroeconomics influence which indicates the underpinning cause of low output for the Nigerian construction industry. The increased competition is considered the second most important factor since it is a ripple effect generated by the decline in the invitation to tender. These two effects are consistent with To (2009), Thorpe and McCaffer (1991) and Langford et al. (2008) that decline in output and orders for the industry arising from recession usually results in the escalation of competition. The decline in the invitation to tender leads to intense competitions among the contractors through the lowering of their profit margin. Increased competition eventually erodes the profit margin of contractors and makes it difficult for contractors to survive. High interest rate is prioritized the third and its impact can be seen from a high interest rate suffered by the contractors.

The cause of failure for the Nigerian construction industry is similar to the reason of both the Hong Kong construction industry of 2009 and the UK construction industry during 1990s which were predominantly characterized by the intense competition. Increased competition was triggered by the fall in the construction activities and gave rise to the low profitability ratio for the construction industry. This is best explained by Hillebrandt et al. (1995) in To (2009) who commented that the market condition in the UK construction industry during the recession in the early 1990s was due to the fall in the volume of work. It was found that the contractors sacrificed profits in order to increase their turnover in contracting. The author further observed that contractors in the UK were even willing to take on work at very low and negative profit in order to maintain cash flow and retain their management.

Most of the respondents affirmed that tendering at a low or even negative mark- up could keep them in business for a period, hopefully until there is a positive change in prices and workload. If the contractors did not tow the downward path of the market, the consequence would be the loss of turnover, staff and inability to perform works and eventually would result in liquidation or insolvency. Explaining the causes of failure for the Nigerian construction industry by reasons of failure in the UK construction industry during the 1970s and 1980s were however inexplicable. The reasons for failure in the UK construction industry in the 70's was predominantly due to poor management of organizations and inflexibility. As observed in the result of the questionnaire survey, the organizational factors leading to the cause of failure were rated with low scores, showing that Nigerian contractors have advanced

in management practices and techniques over what was obtainable in UK management of the firms in the 70's. Unlike the Hong Kong construction industry which has been fully developed with little opportunities for expansion (To 2009, Chan et al. 2005), the Nigerian contractors have ample opportunities to be exploited locally and do not need much of international competition. This explains why firms are not so keen about seeking opportunities from other regions or forming multi-national enterprises to participate in the global platform.

Strategies for overcoming recession



Figure 5: Extent to which Strategic Decision is Successful

Considering the stacked average score in Figure 4, the most common successful strategies as rated by all firm groups being “improving relationship with subcontractor”, “reducing employment”, “undertaking smaller projects” and “improving relationship with clients”.

The extremely low rating of all items of financial decision (i.e Disposal of assets, Reduce dividend, Reschedule debt and Increase short- term borrowing) reveals that hardly can it be classified as successful strategies to combat the recession. Such a result is consistent with the finding that firms that are less severely affected by the recession do not prefer undertaking this strategy (To, 2009, Geroski and Gregg, 1993). It is financial decisions that help the contractors to cope with imminent problems which are beyond their ability to tackle. However, when a contractor firm start to move away from the hardest hit and can strengthen its presence in the market place, adopting financial decision no longer help to improve the competitiveness of the firms(To, 2009).

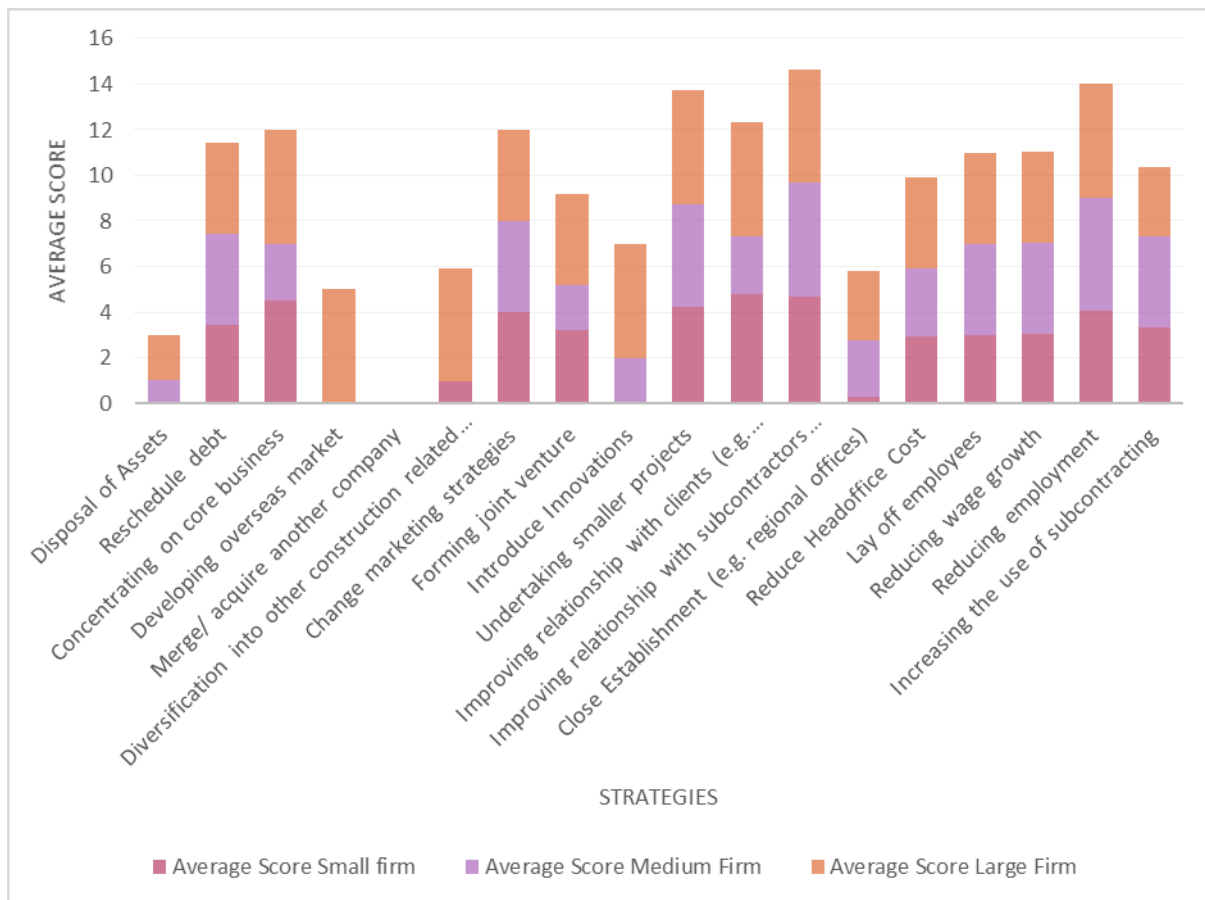


Figure 6: Strategies adopted in overcoming recession

(Source: Author's field survey (2017))

Though financial strategies were widely adopted in the UK construction industry during the early 1990s due to intense competition (To, 2009), the reason for its adoption could not be applied to the Nigerian construction industry. To (2009) further commented that there were a lot of construction firms in the UK encountering overexpansion in the mid-1980s, a sudden economic downturn in the late 1980s led to a sharp fall in the profit of these businesses and forced them to dispose assets for the sake of immediate survival.

According to Hillerbrandt *et al.* (1995), common assets sold included environmental control, waste treatment, joinery, coal mining, property, leisure and product manufacture. These were the assets that arose from over- expansion in businesses.

However, the Nigerian contractors had not encountered over- expansion through participation in merger and acquisition in other business sectors before the recession during the period between 2016 and 2017 which could be revealed from a low rating of merger and acquisition in the cause of failure section.

Other strategies such as reschedule debt and increasing short term borrowing receive a low rating because the Nigerian contractors are cautious in employing debt in the capital structure. A higher leverage implies an increasing risk of bankruptcy. Besides, the low ratings for both items are consistent with Chiang *et al.* (2002) and Chan *et al.* (2005) that contractors

embody a low debt_ratio in their capital structure. The low rating for reduction in dividend for Nigerian contractor firms can be explained by the fact that not all the contractors are listed in the Nigerian stock exchange, especially the small and medium sized contractors. As far as firms that are listed in the stock exchange are concerned, problems associated with reduction in dividend include loss of investors' confidence and difficulties in raising equity capital from the stock market which To (2009) observed are similar to the UK construction industry situation during the early 1990s.

The most common successful strategies for strategic decisions adopted by small sized contracting firms, in descending order of preference are:

Rank 1: Improving relationship with subcontractors/improving relationship with suppliers/
Improving relationship with clients.

Rank 2: Concentrating on core business

Rank 3: Undertaking smaller projects

Strategic decisions adopted and commonly regarded successful strategies for Medium sized contracting firms, in descending order of preference are:

Rank 1: Improving relationship with subcontractors/improving relationship with suppliers

Rank 2: Undertaking smaller projects

Rank 3: Improving relationship with Client/Concentrating on core business.

Strategic decisions adopted and commonly regarded successful strategies for large sized contracting firms, in descending order of preference are:

Rank 1: Improving relationship with subcontractors/improving relationship with suppliers/
Improving relationship with clients.

Rank 2: Undertaking smaller projects

Rank 3: Diversification into construction related businesses/ Forming Joint Venture.

'Concentrating on core businesses' is the most common successful strategy adopted by both small and large sized contractors. It is similar to the UK construction industry situation using this strategy as a means to combat recession in the early 1990s (To 2009). It can be explained by the same market condition that focusing on a particular segment of the total market is more beneficial than trying to compete on an industry- wide basis. It is found that the respondents rating this item as the most common successful strategy do not expand their business in other fields with the use of merger and acquisition. The results are consistent with that of UK construction industry situation in the 1990s without any expansion in other business sectors which could be explained by the lack of internal resources, lack of experience in managing other businesses and the incapability to undertake the risk level in other businesses. As far as immediate survival is concerned, it is necessary for them to rebuild the strength in the core business by concentrating on their area of specialties.

However, it is inconsistent with the strategies adopted to counter the recession in the UK construction industry during the 1970s and the 1980s (To, 2009). To stated further that the reason is that there were still cash-hungry sectors available that construction firms could capture to counteract the recession in the construction sector and did not necessarily need to focus on core business for the sake of survival.

‘Undertaking smaller projects’ is the third most common successful strategy observed to be adopted by all the contracting firms. Such popularity can be reflected from the drop in the volume of large projects during recession in the period under review and an increase in the volume of smaller projects especially from private clients. It is similar to the UK construction industry situation using this strategy as a means to combat recession in the early 1990s. The reason is that the competition was so intense for the construction industry environments that larger contractors had to bid for the smaller projects to increase the turnover for the sake of survival in such a hostile environment. Applying the same logic in the Nigerian construction industry, it is getting more important for large sized contractors to undertake smaller project as such strategy can help to maintain the cash flow and retain the business during recession. This also explains why there is so much competition for jobs that would have been left for small and medium size firms.

However, it is inconsistent with the strategies adopted in the UK construction industry to counter the recession during the 1970s and the 1980s because both market environments in these two periods were not as intense as that of the 1990s without the need for large sized contractors to undertake smaller projects (To, 2009).

The third most successful adopted strategy by small and medium size contracting firms are ‘Improving relationship with subcontractors’ and ‘improving relationship with suppliers’ while ‘Diversification into construction related businesses’ and ‘Forming Joint Venture’ are the third most common successful strategies adopted by large size contractors. As revealed in the effects of problem caused by recession, small and medium sized contractors are more prone to the cash flow problems than that of large sized contractors.

It follows therefore that, not just in order to prevent the emergence of cash flow problem but also to enhance the cost efficiency of running business, it is necessary to build up competitive edge by means of the use of improving relationship with subcontractor and supplier. Jaafar et al., (2006) validated that obtaining credits from subcontractors and suppliers is considered as another important element by the contractors to improve the cash flow which can be achieved by maintaining good relationship with them. However, the strategy of improving relationship with subcontractors and suppliers cannot be explained by the environment of the UK construction industry as the relationship was perceived as short-lived by the contractors. Since short-lived relationship was not sufficient enough to build up competitiveness, they tended to concentrate on other possible strategies to ensure survival.

The third successful strategies adopted by large sized contractors are diversification into construction related businesses as well as forming joint venture. The strategy of diversification in construction related businesses adopted by Nigerian contractors cannot be explained by the same reasons adopted for the strategy by the UK construction industry. The reasons for UK construction firms to undertake diversification strategy during 1970s were to take advantages of profitable sectors to counteract the poor construction industry environment, to ensure stable sources of supply as well as to seize more land by the housebuilding sector as a result of low acquisition cost (To, 2009). However, these reasons are incapable of explaining the motives for the Hong Kong contractors to implement diversification strategy. Firstly, if this strategy had successfully achieved the purpose of counteracting the poor construction environment, this strategy would have been pursued during the 1990s in the UK construction industry. However, the reality was that UK contractors chose to focus on the core business in the 1990s. Some studies (Ibrahim and Kaka, 2007; Hillebrandt, 1996) even indicated that diversification in construction related businesses did not help improve the performance of the UK construction firms. It revealed that the extent to which ‘to counteract the poor construction environment’ is successful is not

persuasive. Secondly, the Nigerian contractors do not experience a shortage of building materials and does not need to rely on this strategy to secure stable sources of supply. Thirdly, the contractors in Nigeria are not speculative in nature and do not perform the functions of housebuilding sector in UK such as selling the finished products and purchasing the land. They do not need to take advantage of low acquisition cost in order to build up landbank. The only reason to explain the popularity of the diversification in the construction related businesses in the Nigeria construction is that it aims at providing a variety of business to clients and this strategy is perceived as growing importance in terms of client requirement and expectation. In conjunction with the traditional services, other related services Nigerian contractors can diversify include design and build, construction management, value management, project management and facilities management. It can be observed that numerous large sized contractors undertake these functions. The reason for its popularity especially among large sized contractors is that they can make use of their expertise and resources available to diversify into other construction related services in order to complement and strengthen the core business. In the long term, competitiveness can be built up to ensure survival under the poor construction environment.

The strategy of joint venture can be explained by the same reasons for adapting the strategy in the UK construction industry to combat recession in the early 1990s. It is because the clients' needs can be better met by forming joint venture, especially for the large scale projects where tapping into the expertise of another joint venture partner can increase the likelihood to secure workload of large scale projects under recession. As large sized contractors are capable of undertaking larger project, they are more willing to seek very large projects through the use of joint ventures as well as taking other advantages such as the risk-sharing. The presence of resources constraints also underscore a low popularity of this strategy adopted by small sized contractors.

The strategies classified under cost control (i.e. Close Establishment e.g. regional offices, Reduce Headquarters' Cost, Lay off employees, Reducing wage growth, Reducing employment, Increasing the use of subcontracting) received a slightly lower average scores than that of the strategic decisions for the fact that cost-control strategy has received a lot of attention in the construction industry nowadays (To, 2009). Since most of the contractors, irrespective of its size, could maintain their operation at a reasonable low cost, this strategy ceased to be a key strategy to be successful in overcoming the recession as only a little competitive edge could be developed. Such a strategy can be explained by the strategy adopted by the UK construction industry during the early 1990s. Due to intense environment, the contractors have to rely on cost-cutting measures in order to survive in the market. The construction firms in Hong Kong during the period between 1998 and 2003 also encountered similar situation (To, 2009). What can be observed from the results is that there is a hierarchy of responses from the contractors, irrespective of their size. All contractors showed a higher preference over the reduction in cost of organization and wage payment of labour issues. Other items such as lay off employees and close establishments receive relatively lower attention.

The pattern of the response shows that the Nigerian contractors do not rely on short sighted cost cutting measures and the result of higher ratings of 'reducing head office cost', 'Reduce employment' and 'Reduce wage growth' justifies that it is necessary to preserve longer run competitiveness by not scaling back the organization and workforce in order to successfully overcome the recession in the construction industry. Besides, the lower rating of 'Increase in the use of subcontracting' indicates that it is not a successful measure. Despite the fact that it was widely adopted by the UK contractors during the late 1980s and early 1990s to combat

the recession, the same strategy could not be applied in Nigeria as profit margins of the mark-up are very minimal due to the already stiff competition and there are limited rooms for reduction in cost through sub-contracting .

SUMMARY OF THE STUDY

The ability to understand that recession is a cyclical effect and knowing and applying the strategies to combat it is of fundamental importance for the survival and progress of any contractor. Business profitability is closely related to the willingness and ability of businessman to strategize and adapt to economic cycles.

Guidelines/Strategies for overcoming recession

When considering how to survive in a recessive economy by construction contractors, primary attention should be given to: improving relationship with clients and domestic subcontractors; reducing employment; and undertaking smaller projects. Other considerations are: concentrating of core business and changing marketing strategies.

Conclusions

The economic recession being experienced by construction firms in Nigeria has not reached a level that leads to the collapse of firms mainly as a result of their level of resilience and adaptation. The study was set out to identify causes of failure/poor performance of Nigerian contractors in a recessive economy and to proffer strategies to overcome them. Having seen the different ways by which contracting firms survived in developed and advanced climes and relating them with what are being done by Nigerian contracting firms, it is hoped that contracting firms will be able to increase their survivability in adopting the survival strategies that are identified to have stood the test of recession times.

The study has been able to identify major reasons as factors for poor performance. The failure of contractors of all sizes to adapt to the ever dynamic economy at both local and international level could lead to untimely deaths of erstwhile promising construction firms. The study has also been able to recognize effective strategies that can enhance the chances of better business climate for construction contracting firms during any economic recession period.

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