

**MANAGEMENT OF PROBLEMS FACED BY LOCAL
CONTRACTORS WHEN WORKING WITH FOREIGN
CONTRACTORS IN SRI LANKA**

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Degree of Master of Science in Construction Law and Dispute Resolution

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DECLARATION

I declare that this is my own work and this thesis/dissertation does not incorporate without acknowledgement any material previously submitted for a degree or diploma in any other University or Institute of higher learning and to the best of my knowledge and belief it does not contain any material previously published or written by another person except where the acknowledgement is made in the text.

Further, I acknowledge the intellectual contribution of my research supervisor Ch. QS Indunil Seneviratne for the successful completion of this research dissertation. I affirm that I will not make any publication from this research without the name of my research supervisor as contributing author unless otherwise, I have obtained written consent from my research supervisor.

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Ch. QS Indunil Seneviratne
Dissertation Supervisor

.....
Date

Management of Problems Faced by Local Contractors Working with Foreign Contractors in Sri Lanka

Construction projects in Sri Lanka have increasingly involved collaborations between local and foreign contractors due to the rising demand for infrastructure development. While such collaborations can bring benefits, they can also give rise to various problems that hinder project success. Thus, this study was aimed at investigating how to manage the problems faced by local contractors working with foreign contractors in Sri Lanka. The research adopted a qualitative approach in achieving this aim, by using a literature review and two rounds of semi-structured interviews with industry experts. The data collected were analyzed using the manual content analysis method.

The study identified 16 important problems faced by local contractors working with foreign contractors, namely communication issues, failure to manage the quality, conditions of the contract or contractual relationship between the parties, non-competent subcontractors or suppliers, differences in technical standards, cultural differences and cross cultural dimensions, comparatively smaller scale of Sri Lankan projects, lack of competent workers and technical staff, extensive use of foreign labour, lack of cost control procedures or the management of cash flow, attitude of staff, lack of good relationship among parties, failure to prepare and manage the schedule or the ability to achieve project milestones, economic and social condition of the host country, leadership issues and institutional differences. The research also investigated the cause for these problems and the strategies to overcome those problems. The research depicts that despite any negative impacts to the Sri Lankan contractors, it is an unchallenged fact that Sri Lanka needs to attract more foreign contractors and foreign funds to the country in order to continue its development process while achieving technological advancement and the balance of foreign reserves in parallel.

Keywords: Local Contractors, Foreign Contractors, Problems, Management, Sri Lanka



To my beloved parents
with gratitude
for their boundless love, care and sacrifices
providing strength and guidance
through the journey of life



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TABLE OF CONTENTS

DECLARATION	i
ABSTRACT	ii
DEDICATION	iii
ACKNOWLEDGMENT	iv
TABLE OF CONTENTS	v
LIST OF FIGURES	viii
LIST OF TABLES	ix
LIST OF ABBREVIATIONS	x
LIST OF APPENDICES	xi
CHAPTER 1	1
INTRODUCTION	1
1.1. Background.....	1
1.2. Problem Statement	3
1.3. Aim and Objectives.....	4
1.3.1. Aim.....	4
1.3.2. Objectives.....	4
1.4. Research Methodology	4
1.5. Scope and Limitations of the Research.....	5
1.6. Chapter Breakdown	5
CHAPTER 2	6
LITERATURE SYNTHESIS	6
2.1. Introduction.....	6
2.2. Importance of large-scale construction projects to a developing country	6
2.3. Requirement for involvement of foreign contractors.....	7
2.4. Reasons for existence of foreign contractors	8
2.4.1. Global perspective.....	8
2.4.2. Sri Lankan perspective	9
2.4.3. Foreign contractor entry modes into Sri Lanka.....	14

2.5. Problems faced by local contractors working with foreign contractors	15
2.6. Causes for the problems faced by the local contractors working with foreign contractors.....	22
2.7. Strategies for managing the problems faced by local contractors working with foreign contractors	27
2.7.1. Strategies in the global context	27
2.8. Summary	33
CHAPTER 3	34
RESEARCH METHODOLOGY.....	34
3.1. Introduction.....	34
3.2. Research Design.....	34
3.3. Research Approach	35
3.4. Research Strategy.....	36
3.5. Research Method	36
3.5.1. Data Collection Techniques	36
3.5.2. Data Analysis Techniques.....	38
3.6. Research Process.....	38
3.7. Summary	40
CHAPTER 4	41
RESEARCH FINDINGS AND ANALYSIS.....	41
4.1. Introduction.....	41
4.2. Expert Interviews – Round 1	41
4.2.1. Objectives of Expert Interview Round 1	42
4.2.2. Expert Selection Criteria	42
4.2.3. Profile of the Respondents	44
4.2.4. Findings and Analysis of Interview Round 1	45
4.2.5. Problems Faced by the Contractors - Section 1 of Round 1	45
4.2.6. Causes for the Problems Faced by the Sri Lankan Contractors Working in International Projects - Section 2 of Interview Round 1	50
4.2.7. Strategies to Manage Problems Faced by Local Contractors Working in International Projects - Section 3 of Round 1	54
4.3. Expert interviews - Round Two.....	60

4.3.1. Objectives of expert interviews - Round Two	60
4.4. Findings and analysis of Interview Round 2.....	61
4.4.1. Causes directly relevant to the problems faced by the contractors - Section 1 of Round 2.....	61
4.4.2. Strategies to Manage the Problems Faced by the Contractors - Section 2 of Round 2.....	67
4.5. Special Findings from Interviews	74
4.6. Chapter Summary	75
CHAPTER 5	77
CONCLUSIONS AND RECOMMENDATIONS	77
5.1. Introduction.....	77
5.2. Conclusions.....	77
5.3. Other Important Findings.....	79
5.4. Recommendations.....	80
5.5. Contribution of the Study.....	84
5.6. Limitations	85
5.7. Proposals for Further Research	85
REFERENCES.....	86
BIBLIOGRAPHY	97
APENDICES.....	98
APPENDIX A: INTERVIEW GUIDELINE – QUALITATIVE ROUND 1	98
APPENDIX B: INTERVIEW GUIDELINE – QUALITATIVE ROUND 2.....	103

LIST OF FIGURES

Figure	Description	Page
Figure 2. 1:	Foreign Direct Investments in past 5 decades upto 2019	10
Figure 3. 1:	Research Process	39
Figure 4. 1:	Summary of Findings	76

LIST OF TABLES

Table	Description	Page
Table 2. 1:	Reasons for Existence of Foreign Contractors.....	8
Table 2. 2:	Reasons for the existence of foreign contractors in relevance to Sri Lankan Context.....	9
Table 2. 3:	Foreign Contractor Collaborations in Host Countries	14
Table 2. 4:	Problems faced by the Local Contractors when working with foreign contractors	16
Table 2. 5:	Causes for the problems faced by the local contractors working with foreign contractors	23
Table 2. 6:	Strategies for managing the problems when working with foreign contractors	28
Table 4. 1:	Expert Qualifications and Selection Criteria	43
Table 4. 2:	Profile of the Interviewees	44
Table 4. 3:	Problems Faced by Sri Lankan Contractors Working with Foreign Contractors – After Interview Round 01.....	46
Table 4. 4:	Changes to the Causes for Problems Faced by Sri Lankan Contractors Working with Foreign Contractors - after the expert interviews	51
Table 4. 5:	Causes for the Problems Faced by the Sri Lankan Contractors – after Interview Round 1.....	53
Table 4. 6:	Changes to the Strategies to Manage the Problems Faced by Sri Lankan Contractors Working with Foreign Contractors - after the expert interviews	55
Table 4. 7:	Strategies to Manage the Problems Faced by the Sri Lankan Contractors – after Interview Round 1	57
Table 4. 8:	Causes for the Problems Faced by the Sri Lankan Contractors When Working with Foreign Contractors – after Interview Round 2.....	63
Table 4. 9:	Strategies for Managing the Problems Faced by the Sri Lankan Contractors When Working with Foreign Contractors – after Interview Round 2	68

LIST OF ABBREVIATIONS

Abbreviation	Description
BIT	Bilateral Investment Promotion and Protection Treaties
BOI	Board of Investments
CBSL	Central Bank of Sri Lanka
CCC	Ceylon Chamber of Commerce
CEng	Chartered Engineer
CIC	Chinese International Contractors
CIDA	Construction Industry Development Authority
CQS	Chartered Quantity Surveyor
CHEG	China Harbour Engineering Group
CIC	Chinese International Contractor
CIT	Corporate Income Tax
ECA	Enhance Capital Allowances
EDB	Export Development Board
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
ICM	International Construction Market
IOR	Inter-Organizational Relationship
LK	Sri Lanka
LVI	Land Value Indicator
MNE	Multinational Enterprise
PAL	Port and Airport Development Levy
QS	Quantity Surveyor
SOE	State Owned Enterprises
UK	United Kingdom
VAT	Value Added Tax
VN	Vietnamese

LIST OF APPENDICES

Appendix	Description	Page
Appendix – A	Interview Guideline - Round 1.....	97
Appendix – B	Interview Guideline - Round 2.....	102