

**PROBLEMS FACE BY SMALL SCALE CONSTRUCTION
COMPANIES IN SRI LANKA**

**MASTER OF SCIENCE
IN
CONSTRUCTION PROJECT MANAGEMENT**

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DECLARATION

‘I declare that this is my own work and this 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.

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The above candidate has carried out research for the dissertation under my supervision.

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ABSTRACT

The construction industry in contemporary Sri Lanka has been faced with many problems due to the changing nature of its own. Major players in the industry have been dominating over 70% of the major construction projects in the country. Small scale construction companies have their level of competition to grab the middle and low level of projects. Small scale construction has been associated with a high level of risk elements as per the influence in the external factors. Political, Economical, Social, Technical, Environmental and Legal factors are mainly affecting the operations of the companies on such scale. The main difficulty for those companies was that they are not in the position to control those factors due to their lack of capacity and experience. Therefore, small scale construction companies are very sensitive to external variation and can lead to success or even failure due to the same. Initiators and all stakeholders of the company should have a better understanding of the external factors before starting up the company.

The initiator of the company was critical personnel which derives the success or failure of the company in any industry. Experience and knowledge are a must for them. In addition to that, the personal traits that they have incorporated into their personality are very crucial. That will define the path that the company will follow due to the leadership of that person. Perseverance can be identified as a crucial characteristic that the initiator should possess within him/her. That will create other relevant traits and motivate them to drive the company forward without any failure due to external factors. The networking and contact building is yet another critical aspect that should consider by the stakeholders of the company for the betterment of the future. It will create a good background and surroundings to play a competitive role in the industry as a new player. But it should always consider risk elements associated with the operation of the construction field. High risks have been associated with the particular industry and it was even more for start-up small scale companies. Identifying the critical risks and defining actions to mitigate those with the functions and operations of the company will govern the success. If there is a partnership, which happens often, in the small scale construction companies, the understanding between the partners will govern the success of the company. Therefore, small scale construction companies can change their problems into factors for success if they possess and develop their capabilities and connections inside the same industry.

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Chapter One

1. INTRODUCTION

1.1. Introduction of The Background

Today, markets are more competitive than ever due to various reasons such as global effects and free trade, number of organization and vast technology improvement. Therefore, none of the organizations will not able to achieve the objectives without enhancing its efficiency and the effectiveness of the business activities where it helps to achieve the competitive advantage and the economies of scale to the business for survival.

Therefore, it implies that, the competition between industries and intra-industries all over the world without restringing to the segments or nature of the business. However, the construction industry is a very competitive business where it has many challenges and facing numerous problems due to its nature, amount of capital accumulation and amount of human involvement than other industries than the secondary sector industries.

According to Porter's five forces framework, rivalry, substitute's threat, buyer & supplier power and also barriers to entry are more common for construction field, especially to the small-scale start-up companies due to its capacity and the supply chain process of the relevant category as per the Sri Lankan context.

Challenges facing the construction industry in Sri Lanka are similar to other developing countries where most of the small-scale organizations have been facing low consumer surplus and weaker financial backgrounds all over the economy which can affect the entire system.

Therefore, it will affect the delivery time and the cash inflow to the business which is the most significant factor for healthy working capital to the business. Another significant issue would be the day-to-day operation and the agreed time period of the relevant bilateral agreement between the business and the service purchaser where it can have a negative effect on the business due to damaging the brand name of the business.

1.1.1. Construction Industry Development and Key Challenges

Environment is uncertain due to many reasons such as political, economic, social, technological, environmental and the legislation changes in the world and most of them will affect to the business outcome due to global high interdependency due to various reasons such as specialization, division

of labour and free trade activities between countries due to new trend of the world trade organization (WTO).

However, it already affected the construction industry and possibly remains only the organizations that have efficiency and the effectiveness where it will help to reduce the cost of the particular contact. Therefore, it is really important that labour productivity and the cultural issues how favour to achieve the set target to the particular business without consent to the segment.

Understanding the demand pattern and cratering as per the trends would be the most considerable factor the sustains in the industry. Other than the socio-economic environment, the amount of human development capacity will be a national issue in order to achieve the primary objective of the industry.

The most important element would be the required training and the level of motivation that correlated with financial and non - financial motivation due to industry rates and the profit margin the business due to economies of scale. Most of the small-scale organizations will not be able to receive the economies of scale in both internal and external due to its quantity requirement which depends on the number of orders and size of the organization with low financial abilities.

Furthermore, lack of skilled managers and technical employees due to negative internal economies of scale to the business where it effects to increase the cost of the business and creating uncertainty to the particular organization within a very short time of period.

Comparing to other countries of the same region, the availability of pool - resources and the government policies are significant for the industry and especially for the small-scale contractors in the country. However, government policies pertaining to the construction industry have been not favorable and required a number of skilled workers would be a problem to the industry where it affecting to increase the cost of them due to low supply.

However, key challenges and the significance of the construction industry identified by the relevant authorities and have been taking various percussions which are not up to the required levels, which will be a considerable problem to the local construction companies where they will lose the competitive advantage and be despairing the opportunities in employment opportunities and deficit level of the balance of the payment (BOP).

This might be because of foreign construction companies under the free trade agreement between them, where consequently, opportunities to develop the industry will be a significant problem due to efficiency and the productivity of the local industry employees due to lack of high-tech opportunities related to the internal economies of scale.

1.1.2. Globalization, Free Trade, and The Local Construction Industry

According to the global free trade activities and deregulation of markets, multinational businesses have been allowed to take over businesses in other countries and those who have a competitive advantage will be able to complete with required conditions due to competencies that they have. However, most of the available workers will engage in their activities and be creating a vacuum for labour requirement while increasing the salaries for them due to the low - supply of labour. Further, small - scale construction companies will not be able to survival due to high cost which created by derived demand for foreign companies due to regular work and attractive packages when compared to local companies.

The balance part of the available labour will have engaged with larger and medium local companies where it affecting the small companies while making high costs and irregular working conditions for them. Another reason would be capital accumulation on technological improvement will be a considerable factor for the small - scale construction companies.

They are unable to meet the present requirement where it will help to reduce the cost of labour-intensive methods and the time specified as per the agreement. Due to a lack of economies of scale, most of the small - scale construction companies unable to maintain the buffer stocks as per the project requirement where it can affect to the cost by the devaluation of the local currency, where local depends on foreign materials and equipment since a long time.

Based on the social trends today, most of the young workers are more attractive with service sector where they will able to receive more income due to nature and the price elasticity of the salaries which based on amount of productivity and the efficiency of the employees under better working condition when compared to primary and the secondary sector. But, due to the foreign participants of the industry will be improved due to technological transfers and huge capital accumulation which helps to enhance the local construction industry.

Consequently, it requires the deliberate process to improve the ability and effectiveness to receive a competitive advantage, especially in global movements. Hence, understanding the requirements to enhance the industry and policies will be some of the important areas in the construction industry (Ekanayake & Ofori, 2004).

1.1.3. The Present Economy of Sri Lanka

According to the review of the World Bank, considered as a lower middle – income country while indicating the per capita income of US\$ 3924 in the year 2015. But soon after the independent, Sri Lanka plugs into the civil conflict where it developed up to the civil war condition up to the year 2009, more than 30 years due to narrow political agendas of the political regimes. However, it has

been numerous adverse effects in various ways including low - level living standard and weaker aggregate demand while lowering the consumer surplus (Central Bak of Sri Lanka: Annual Report 2015, 2016)

Other than, it seriously affected the financial sector of the country while declining a considerable amount of industries due to competitive advantage and the diseconomies of scale which created the financial uncertainty and increasing the financial risk in numerous ways.

The moderate level of poverty which consists of low – level living standards and low - slung income would be significant for the economic activities while it hardly affected the balance of the payment of the government current account to remain deficit level. Finally, all of these adverse outcomes predominantly affect the financial performance of the financial intermediaries while increasing the uncertainty of the business activities (Abeyratne, 2004)

1.1.4. Culture of The Sri Lankan Construction Industry

According to the Sri Lankan context, it has its own heritage exclusive culture as per the historical evidence that we have. However, we have a very high – intensive labour force, where we can get an absolute advantage among other competitors, enhanced by competencies and certain changes in cultural attitudes of them.

According to the social trends today, most of the young employees are more attracted to other areas, especially the tertiary sector, and a certain amount of industrial sector, pertaining to the manufacturing process. Hence, it is clearly evident that the construction industry has a lower rate of attractiveness due to the labour-intensive environment in Sri Lanka. Other than that, according to the statistics, there is clear evidence that the contribution to the GDP, especially in the construction sector has been reducing since the last few decades (Kulatunga, Amarathunga, Haigh, & Rameezdeen, 2006)

Considering all the factors, the Sri Lankan working culture for the construction industry is not favourable as earlier. However, it requires a certain amount of motivation to attract industrial participation by financial or non – financial benefits for the employees, who are looking to enter. Therefore, the required amount of policies and other infrastructures, such as industry knowledge, training, and participation of child labour, will be some of the significant areas to be improved.

If it is not possible to change the culture, it may be serious damage to the Sri Lankan economy due to a lower rate of contribution to the GDP by the participation of a lesser number of skilled and unskilled workforce. Therefore, quality training and enhancing programs will be helpful to change the present cultural context, as per the Sri Lankan situation in the construction industry (Chandradasa & Ekanayake, 2011)

1.2. Statement of The Problem

According to the industry, it plays an essential role in socioeconomics, without concern to any segment. As a developing country, Sri Lanka has contributed 6.6% of GDP and 28.6% of the total industry in the year 2009, which is significant as per the data.

However, it has gradually fallen to significant levels, while creating a vacuum in the construction industry for employment opportunities. The most important factors will be the motivation of Sri Lankan employees and the government failed to enhance the industry's activities based on narrow political agendas which are related to the global context, due to free trade activities, today. As per the international labour organization (ILO), social security is one of the universal needs of all humans.

The main objective of social security will be to protect the living standards while ensuring acceptable living standards, as well as to maintain the required level of basic human beings, to run their life cycle. According to the Sri Lankan construction industry, it is one of the major elements which may be considered to fail the youth participation in the construction industry, since the last few decades (Wijewickrama, 2012)

Therefore, it will not be able to fulfill the physiological needs rather than the human wants, in Sri Lanka. According to the Sri Lankan, financial industry, it already reduces the consumer surplus and increases the GDP due to weaker GDP and the per capita, when compared to other countries in the same region. Hence, it is already related to the wealth of the people, which is spread over all industries (Abeyratne, 2004)

However, the damage to the construction industry will be more than other industries, due to the decline and number of failures in small-scale construction companies. Based on the above facts, it is clearly evident that the sustainability of small-scale companies faces numerous social and financial problems, which may lead to further failures.

1.3. Research Questions

1. What are the factors that influence the success of the start-up of companies in the construction industry?
2. Do companies lead to failures due to the absents of the success factors?
3. What are the causes of failure of small-scale construction companies at initial stages?

1.4. Objectives

1. To identify the success factors of the successful construction companies
2. To identify the failure factors of failed companies in the construction industries
3. To analyze how the success and failure factors govern the construction companies in Sri Lankan context

1.5. Hypothesis

Successful companies in the construction industry have a similar pattern of practices and factors. The failure of the construction companies will happen due to the lack of the identified success factors practicing in those companies.

1.6. Methodology

The comprehensive literature review was carried out to explore the theoretical status and research issues. The survey research methodology was adopted to explore the problems faced by small scale construction companies in Sri Lanka, its impact on failures of the companies and ways to overcome in the context of small scale construction industry. The structured questionnaire survey was the data collection technique of this study. Sample of 4 small scale construction companies (two success stories and two failure stories) was selected for primary data collection. The data and information which were obtained from the primary and secondary sources were processed as case studies for the qualitative data analysis.

1.7. The Significance of The Small - Scale Construction Organisations

Small-scale construction companies can be differentiated from the other construction companies as per the governing body for the construction companies, ICTAD. ICTAD has a specified grading system for construction companies as per their capacity and scale. Under this research, we are considering the C7 and below companies as the small-scale construction companies. Even the companies which are not registered under the ICTAD and which were having annual turn over less than Rs. 40 million considered the same.

In the past decades, many of the small - scale construction companies have failed due to various reasons which should identify and answer to the formulate question to provide a certain solution to prevent from it where it will affect the economy in many aspects. And also identifying the present economic trends and the cultural changes will be more important to enhance the industry activities to achieve the organizational objectives and also industry objectives pertaining to the country (Ekanayake, 2014)

Entrepreneurship is one of the most important elements, which helps to enhance an economy by the amount of participation. Small - scale construction companies are the closest to the general

public in the local community, due to its scale and domestic requirements. The success of such organizations will be implying by several factors. Mainly financial stability, Continuous operations, and functions of the business, Future potential to undertake new projects.

The decline of a particular organization will be a significant factor to receive the service for the seekers, as well as a primary level activity that provides instant solutions for the job seekers in the area. Other than that, Failures will be a loss of capital for the small-scale entrepreneurs who try to enhance their lifestyle, as well as the business activities, as beginners and entrepreneurs. Hence, small - scale construction organizations are some of the significant economic entities in any society or economic entity, without concern to boundaries (Bassioni, Price, & Alassan, 2004)

1.8. Limitation of The Study

According to the limitation of the study, it is evident that the economic environment is rapidly fluctuating where it will difficult to identify the appropriate time at failure in small-scale construction companies during the specific time period. However, it planned to analyze case studies which cover the period of two-decade for generalizing the effects of time where it helps to mitigate adverse outcome to the answers.

1.9. Structure of the thesis

According to the study, it has been structured into five chapters as chapter one which covered the introduction of the background, construction industry development and key challenges, globalization, free trade and the local construction industry, the present economy of Sri Lanka, culture of the Sri Lankan construction industry.

The second chapter will cover the review of the literature which presents the theoretical framework related to the study. The third chapter will explain the Research methodology and conceptual framework of the research, hypothesis and design methods, analysis and the presentation.

The fourth chapter is related to the data presentation and analysis through a case study method, where it explains the real-world scenario of the research area in-depth and in detail. Chapter five will explain the result and discussion for the conclusion of the research.

Chapter Two

2. REVIEW OF THE LITERATURE

2.1. Introduction

According to the nature of the industry, it is challengeable due to many reasons such as changing supply and demand of labour and technological factors other than the business environment, today. But, the amount of pressure can be changed due to changing the taste or the requirement of the segmentation and also weaker consumer surplus where it already correlates d with economic factors. Although, common factors can be generalizing for all the segments and most of the economic transactions while understanding the requirement of enhancing the quality and productivity by using the latest technology which is highly expensive especially for the developing countries than the developed nations. Therefore, capital accumulation would be a one the most significant factor for most of the construction companies other than the availability of labour and culture deference's to the particular region where it can have numerous positive and negative outcome to the business output (Carter & Auken, 2006)

However, industry developers have a considerable amount of key responsibilities to meet economic challenges without a significant decline in economic activity to meet demand trends as per the growing population while understandings the economic recession all over the world. Other than the currency fluctuation, amount of dependency will be a considerable matter where concern to the development of other sectors as ancillary services to the industry which is highly required for enhancing the industrial activities to prevent from impacted by the recession which related to the accounts receivable (AR) (Ekanayake, 2014)

Conversely, the deliberate process to improve the competence and effectiveness of industry would be significant to remain sustainable in the industry and also to bring down the cost due to the high competition where it will help to receive a competitive advantage to the business.

As per the world free trade activities, some of them are able to receive the positive advantage while some of them are unable to receive them due to low productivity and the efficiency where it will help to receive the competitive advantage to sustain without been to the bankrupt among others in the same industry.

Government support on supply-side policies in economics will be more significant to enhance the industry by better policies rather than narrow political agendas as per some of the political regimes during the past decades in many countries, especially in South Asia. The most significant factor would be the favourable policies to sustain the industry while reducing the interdependency on

other countries where it will become a disaster due to the deficit level of the balance of the payment (BOP) in the government economy.

Other than the government failures, according to the Sri Lankan context, both required operation level skilled and the un - skill-shortage of the labour force would be a significant problem to the industry where it created uncertainty to the entire industry in many ways (Chandradasa & Ekanayake, 2011)

Though, as per the development objectives and environmental responsibility are significant for any industry or any government where imposes and providing guidance and appropriate support for the newest methods in the construction industry which would be a strong response to the government and control a body of the particular government.

Especially for most of the small and medium organizations have been facing certain financial circumstances for the latest technology and some of the application which is related to the international standard where it will help to enhance the industry activities and help to survival the business due to cost-effective methods.

Understand the problem which is related to the industry and provides a certain solution through the government policies will help to improve the industry where an organization would be able to motivate rather than the regulations imposed by the relevant government authorities (Chandradasa & Ekanayake, 2011). Awareness, coordination between small and large organizations, training, employee welfare, appropriate market information's and enhanced tax method, especially for the small scale to motivate would be some of the government responsibilities for any country without consent to the region when compared to developed and mostly the South - East Asian countries in the world.

Therefore, it clearly indicated weaker performance in most of the Asian and African countries as per the data published by various researchers pertaining to the industry. According to the regional experience, Singapore's building and construction authority would be one of the best example who provide continues support to the industry for enhance the efficiency and the productivity of the particular organization where it will help to enhance and receive a competitive advantage among the market rival where most of the organizations to enhance the industry activities as profit-making business.

As per the relevant case study, the ministry of manpower and ministry of national development were coordinated with the Singapore's building and construction authority for such development as one team and common policy rather than a private benefit to the higher authorities.

Rendering to the development, coordinate efforts and pool resources are some of the considerable factors to enhance the industry where it will help to overcome the common problem which pertaining to the industry such as bankruptcy in all level and also will help to reduce the cost of the production due to proper inventory levels and the total quality management (TQM) by various international standard.

Conversely, when related to the labour supply, the cost of labour will reduce due to a surplus amount of labour which depends on derived demand for labour through the industry activities where it related to guaranteed job security. As a factor of production, labour would be a significant factor in the industry where it will create a positive or negative outcome for the business due to many reasons such as motivation, productivity and the efficiency of employees while creating the advantage of competencies.

Considering the relevant facts, most of the construction companies have been able to undertake any kind of job contract while receiving the competitive advantage which is one of the most important factors to remain and sustain in the industry for long last. Government policies and support would be the most important element for the development of the industry due to its nature and the complexity of the industry other than the other industries.

According to the regional example, the situation in Singapore building and construction authority and other countries in the same region are considerably varied due to many significant reasons such as particular policies and how impact to the industry development.

Other than that, contribution ratio to the gross domestic products (GDP) from the industrial activities would be strongly important to the wealth of the nations and for the employment opportunities of the country while other countries have been losing in the same region.

However, most of the developing and developed nations were able to convert the characteristics of 3D's where dirty, dangerous and demanding to the 3P's where professional, productive and progressive of the industry, a remarkable stage of the secondary sector of the economy due to its considerable contribution to the state economy.

Government policies and the vision of the industry are some of the significant factors to implement to create superior capabilities through synergistic partnerships with the private sector with a

common goal without narrow ideas of the policymakers. Therefore, knowledgeable and result oriented teamwork within a specific time period would be important to enhance the activities of the industry for the survival of small and medium scale civil engineering contractors in any country.

2.2. Globalization and The Construction Industry

According to the vision of the world trade organization (WTO), it is primarily an economic process of integration which co-related with social and cultural aspects of deferent nations. However, it is the geographic dispersion of industrial and service activities where most of them have opportunities to participate without consent to the borders. Therefore, competitive advantage and the economies of scale will be more significant factors where it enhances by the competencies of employees, productivity and productivity to sustain the industry.

Most of the developing countries are lacking behind the latest technology where it is highly capital accumulated and unaffordable with the return due to an uncertainty of the business environment, today. Therefore, the productivity of the industry would be significantly low level and lose the competitive advantage of the industry where it creating ample opportunities to both developed and almost develop level nations were highly industrialized countries such as East –Asians.

However, developing and the undeveloped who has been developing since a long time will be losing the opportunities where it can have certain direct effects to the GDP of the country and the wealth of the nations (Ngowi, Pienaar, Talukhaba, & Mbachu, 2005)

Conversely, it has a certain advantage and disadvantages where developing countries have to understand the trade-off from time to time which depends on the opportunity cost. And also, the intellectual agreement is important with enough amount of information for the feasibility of the particular project. Basically, asymmetric information's, currency fluctuations are some of the important criteria's in the international trade and it highly emphasizes to the construction industry due to interdependency.

Especially, African and South Asian regions have been facing similar problems due to a similar political environment in the last few decades. Nevertheless, it has certain negative impacts to the contractors, mostly from East - Asia, due to the wrong assumption on productivity as per the cultural deference's (Reftery, Pasdilla, Chiang, Hui, & Jang, 1998)

Productivity and growth have strong co-relation due to its numerous advantages such as competitive advantage and the economies of scale to the business. However, employee's behavior

will depend on the particular culture and the ethics pertaining to the society where the outcome of these will result in the wealth of the nation.

However, Sri Lanka is a developing country since the year 1948 and many political regimes have been contributed to the economy by their policies. Yet, the value of GDP remains at 81.32 billion US\$ in the year 2016 and per capita remains at 3,835.39 US\$ which is not enough to enhance the life of the people. According to the contribution of the sectors, it indicated that the manufacturing sector was at 28.9 % and already decreased by 9% compared to the previous year. Other than that, total contribution decreased by -2.15% which is significant and affecting the GDP negatively (World Bank, 2016).

Therefore, employee culture and other related elements are significantly affecting the economy and the wealth of the people. However, the most important factor would be the human development index (HDI) is at 0.766 and the rank is 73 out of the world (UNDP, 2016) which is significant when comparing to the real GDP of the economy and the contribution ratio on each sector (Abeyratne, 2004).

Increasing employee productivity is a very serious matter due to its complexity which involves human behavior as per the changing environment. Nevertheless, motivation is one of the signature methods to enhance employee motivation and amount of contribution to the particular sector through financial and non - financial (fringe) benefits to the participants, especially form small and medium scale civil constrictors which pertaining to the construction industry as per the Central Bank of Sri Lanka (Abeyratne, 2004).

In addition to that, employee productivity can be increased by various methods such as financial and non - financial methods where it consists of higher rates, better salary, overtime, allowances for workers' attendance and the time. According to the fringe benefits, medical, insurance, job enrichment job enlargement, meals, and many non - financial can be provided.

2.3. Cultural Effects to The Industry

Based on the cultural dimensions which is one of the significant factors pertaining to the region, there may be several amounts of literature reviews to explore the impact of performance culture on the performance of the employees. Among them, Hofstede discussed achieving organizational excellence through cultural traits that differ from one organization to another. As per the challenges, the expectations of the employees also are challengeable due to the levels of motivation, which significantly affects the output of the organization (Hofstede, 2011).

Besides, today's markets are more competitive while firms should be able to achieve competitive advantage to remain in the market. Other than that, resources optimization by employees and the achievement of economies of scale will help the organization to expand its market activities while identifying the changing environment and its opportunities. Since multinational businesses extend their operations, it is vital that they understand different cultural values and working styles among those people (Hofstede, 2011)

Hofstede (1984) stated that the culture consists of a certain amount of mind programming which implies human behaviour as per their segments. Furthermore, he elaborated that it may change due to the level of education and knowledge. However, it has a considerable amount of effect on the outcome of the individual which is significant for the collective work (Hofstede, 2011). Other than that, the culture is defined as the system of norms and values, which implies a certain level of practice accordingly.

Nevertheless, these factors will affect the group work which implies on the productivity of the organization. Apart from that, norms are certainly derived from the number of values through social effects, which is related to the concerned society. Therefore, practices are certain outcomes of human beings caused due to continuous doing of a particular act (De Mooji & Hofstede, 2010)

2.4. Cultural Framework and The Motivation of Industry Employees

The Cultural framework is significant for the organization's productivity where it consists of corporate culture and the organization's policy. According to the Hofstede cultural dimensions, it clearly mentions that multinational teamwork will be important due to specialization and globalization. According to the model, it consists of six dimensions which helped to describe certain elements which are related to the cultural dimensions, such as power distance, individualism, masculinity, uncertainty avoidance, long - term orientation and indulgence (De Mooji & Hofstede, 2010)

According to the construction industry analyses, power distance index (PDI), which mainly emphasizes on dependent relationships on the society where it implies the context inequality between groups in the industry. However, individuals in PDI are similarly following the code of conduct and the formal practices according to the hierarchical system of the organization. In addition, lower power indices imply lesser obedience to power and positions.

According to the PDI, it may be measured country wise, which helps to understand the level of the power distance, when worked internationally which pertaining to the industry. Further, PDI effects are varied and can be seen in a deferent destination in the deferent outcome of the business.

Therefore, industry deference between South - East Asia and South Asia would be one of the examples for its industry significance.

Consequently, it will help to mitigate certain future problems as per the response to the relevant index level. According to the theory, power distance is one of the cultural dimension theory which includes six factors as mentioned. In some way, it may be divided into high power distance and low power distance which belongs to the beliefs of the society and the hierarchy of power.

As per the Sri Lankan context, it is at eighty, which is based on six d – models, while China is also in the same were based on six – d models (Hofstede, 2011). Usually, cultural dimensions are certainly important for cross-cultural communications which may deliver values among their members which is related to individual behavior, especially at project base developments.

However, values have a considerable amount of behavioral qualities which are really important to achieve the organizational objectives through teamwork. Therefore, the certain amount of leadership qualities will be important to take them out from the individual workers, through motivational methods which are important to the survival of the business without bankruptcy (Carter & Auken, 2006)

As per the organizational leadership and the motivation, leaders may apply several types of leadership styles, which are according to their personal behaviour and based on the situation. However, all leaders should be able to motivate their employees at the workplace where they have to get the work done at the correct level by understanding the cultural differences and suitable methods to motivate them. Based on the cultural dimensions, organizations should be able to understand before they float into new cultures in order to get the best results from the beginning. Also, policymakers and top-level management will be able to set targets as per the particular culture which should be realistic and time-specific after the studied. Different cultures have different levels of dimensions, which implies different output levels. Therefore, product consumption and profitability may change accordingly. Depending on the cultural dimensions, it is required to understand the outcomes of the power distance, which brings externalities in both positive and negative to the industry.

In multicultural working environments, it is certainly difficult to take them into one platform without having a proper strategic plan for the business, which is related to human resources development (HRM). However, values, beliefs and certain paradigms are significant for any culture. Especially, developing countries have significantly more paradigms than in developed countries. Therefore, the level of the education and training will be important to minimize these circumstances, where it may improve the productivity, by understanding cultural dimensions in the long – run (Guilherme, Glaser, & Garcia, 2010)

2.5. Cultural Effects and Bankruptcy

According to the cultural effects, organizational culture and productivity are strongly interrelated due to several reasons. Basically, productivity may depend on labour or capital intensity. However, culture is the most important element which is related to the productivity of labour which depends on the behaviour of the organization. It mainly consists of the clarity of the organization which implies the degree to achieve the goals and plans, decisions, integrations, management styles, vitality, compensation, and human resources activity.

According to the organizational clarity, it should have a clear vision and mission of the organization, where the employees will have a specific objective to be achieved, within a specific time period. However, when these objectives are set, they should be realistic and measurable. As per the decision - making structure, centralization, and decentralization processes may affect the span of control. Therefore, the level of bureaucracy and decisions are important to fasten and clear the clarity (Guilherme, Glaser, & Garcia, 2010).

Other than that, the method of communication will be significantly important to the decision - making a structure, based on the size of the organizations. Larger organizations have taller systems of communication, while flat systems are normally used by smaller organizations without consent to the industry. Other than that, it should clearly mention the roles and the responsibilities of the employees as per the hierarchical systems of the organization.

Besides, the chain of command will depend on the span of control and the level of a delegation which is passed down the authority to the down level. Understanding the departmental functions will be important to adjust as per the cultural effects, where it will help to enhance the productivity as a team. Relating to the communication systems of the organization, formal and informal methods of communication may be implied in most organizations, today. However, it is actually required to have better communication methods while understanding the costs of the methods of communication and clarity of the message (Maroto, 2012)

Especially to the civil construction industry, the recruitment and selection process is one of the most important elements which is related to the HRM aspects of the organization, which may be affected by the culture of the organization.

However, it may be either external or internal, in terms of the method of recruitment, while following the stages of the recruitment process which is significant. Other than that, job description and person specification are a few of the important factors, as per the recruitment for enhancing the competencies of the civil engineering industry due to the latest improvement.

Based on the industry culture of the organization, it implies the level of the legislation and the quality of the HRM at the concerned organization. Somehow, it should be according to the contract

of employment without discriminating and unfair dismissal as per the relevant labour law. Apart from that, health and safety precautions at work are also important as per the legal background of the labour law, while applying the other legislation (Maroto, 2012)

Most of the moderate organizations are insistent on training, where it may be internal or external. Although, induction training and on the job, training is related to the internal training based on the culture. The culture will imply the level of motivation at work of the employees, where it will benefit the organization through lower levels of absenteeism, higher production levels, more innovations, a pleasant working environment, more cooperation, and lower staff turnover.

However, the business will be able to understand the required levels of motivation, by the levels of productivity and output. Somehow, physical needs, social needs, and other needs are basic for any of the employees, without consent to the size of the organization. According to Maslow's hierarchy of needs, it is clearly evident that physical needs are the basic needs of humans. Apart from that, safety and security, social needs, esteem needs, and finally self – actualization, will help the organization to achieve the expected outcomes (McLeod, 2007)

Herzberg's two - factor theory will be important in order to raise the satisfaction of the job, by understanding the motivators and satisfaction, as per the pay, working conditions, job security, quality of supervision, staff relationships and the company policies. In addition to motivation, financial rewards and non – financial rewards are important for any worker, which helps to create better working culture, as well as to receive the competitive advantage among others (Gawel, 1997)

Presently, many of the firms survive, commonly due to the competitive advantages they have and the economies of scale they enjoy, which is vital to remain in the highly competitive market. As per the financial rewards, it may be time rate, piece rate, bonus payments, performance-related pay or profit-sharing, which depends on the corporate governance and the policies of the organization. Referring to non – financial rewards, they mainly consist of fringe benefits, which are not in terms of monetary, such as job enrichment, job rotation, team working, recognition and praise, along with promotions. Anyhow, as per the organizational culture, it may be divided into three levels as per the surface manifestations, organizational values, and basic assumptions.

Generally, organizational manifestations will be a clear image of the organization through its stakeholders. But it constantly reminds of the values of the organization through its activities. Organizational values are located below the manifestation, consciously throughout the policies of the organization. According to the basic assumptions as per the levels, it is about the beliefs of the individuals, which implies the organizational image. Based on the types of organizational culture, it may see power culture, role culture, task culture, and person culture.

However, power culture consists of responsibilities that help to make better decisions to achieve the organizational objectives. Based on the role culture, it consists of rules and procedures of the organization. Somehow, the decision made is based on the rules and regulations, imposed by the top-level management, where there may be a certain amount of flexibility as per the situation.

Depending on the task culture, it will depend on the ability of the individuals who may perform better, where the situation may be able to be handled smoothly. As per the task culture, it is not much concerned on the designation of the individual, due to the ability of the person, who is unable to perform well at the time. Therefore, managers and supervisors have the authority to select suitable employees in order to accomplish the task, for the task to be completed cost-effectively. However, person culture means the number of people who are able to accomplish the task, due to their expert knowledge.

2.6. Financial Impact on Changing Organisational Culture

As per Tom Peters and Robert Waterman (1982), they stated on the “In Search of Excellence” article, that the changing environment will be a competitive advantage to the organization when the challenges are met positively. Today, the environment is changing very faster than ever due to various reasons such as political, economic, social, technological, environmental and legislation (Barney, 1986)

Therefore, understanding the new trends and demand patterns will help to search for new opportunities, where the business will be able to get a competitive advantage among others. Although, it may vary based on the market system due to the level of the competition. Therefore, only the organizations, who adopt the changing culture will be able to meet the challenges and establish the business in the market. As per the changing organizational culture, the view of the employees, in terms of the technology and physical environment, while understanding the external environment, will be significant.

Somehow, the organizational culture may be affected positively or negatively in several ways, where it will normally help to change the organizational culture. John Kotter and James Heskett (1992) stated that the corporate culture may significantly affect the economic performance of the organization through economies of scale, which may help to optimize the resource allocation and the price determination.

However, understanding the market changes based on various effects will be adjusted to the changing behaviour which will help to deliver the best outcome. Therefore, organizations will be able to change the culture up to the required level based on the changing demand. Flexibility and cultural dimensions relatively affect the achievement of the organization’s objectives, cost-effectively. Apart from that, understanding the culture gap explains the difference between cultures

desired by a few of the stakeholders, and especially the top-level managers (Guilherme, Glaser, & Garcia, 2010)

Typically, the culture does not remain constant and may change due to several causes, including environmental variations. Those changes may be either internal or external, while they may neutralize certain effects into the organizational behaviour. However, these changes may happen due to developments in technology, market changes, consumer tastes, legislation, workforce changes, and economic changes.

Today, developments in technology may be affected in several ways such as reductions in employment opportunities along with increases in capital accumulations. Anyhow, technology may have a significant amount of effects which may contain considerable amounts of changes in the workplace (Beckhard, 1969)

Other than that, the changes in markets are rapidly improving while markets are getting more competitive than ever, where the closest reason will be due to the open market economy system and free trade promoted by the world trade organization.

Apart from that, specialization and division of labour created a separate market, where the people have to interdepend on each other. Based on the legislation, taxation and environmental protections are much more important than other important legislation.

Anyhow, according to the world trade organization (WTO) and international monetary fund (IFO), they have been imposing several legislations for their members to be applied, where it will help to more generalize the terms and the common structure for all member countries. As a result, there may be certain implications on the particular organization of the concerned country by local legislation.

As per the changes in the workforce, demographic changes and migration will have certain effects on the working population, where there may be changes in costs of labour, which depend on the demand and supply. Considering the changes in the economy, the economic cycle is fluctuating with numerous effects, all over the world.

Nevertheless, as per the fluctuations, there may be a certain period, which helps the business environment, through a boom, while a slump or a recession resulting in several adverse outcomes, till the recovery stage has been met. Referring to the changing environment, the business should be able to forecast future demand while changing their culture, so that they will be able to attain a competitive advantage, in order to maximize profits, market share and etc.

Reflecting on the above statement, changes in businesses have grown, as per the importance, in order to meet the demand in recent years. However, it may have different levels of effects as based

on the dependency, as per the business activities. Although, there is certain evidence on the considerable amount of resistance to change the organizational culture, because of certain reasons. The most important reason may be on paradigms and the lack of a knowledge-based management system for this organization. However, some of the organizations, who can forecast the demand may be able to get a hold of the resistances, in order to change the organizational culture through market research and business sense (Senge, et al., 1999).

However, culture dimensions are a few of the significant concepts to understand for ambiguity situation where it will help to increase the productivity of the organization due to various effects such as competitive advantage and the economies of scale to the business.

The main reasons, it will help to reduce the conflict situation between employers and employees where it can have a certain adverse effect on the organization. Conversely, problems associated with culture dimensions will be a serious situation to meet the uncertainty of the project pertaining to the return of the investment and the brand name of the organization (Senge, et al., 1999)

2.7. Economic Environment of Sri Lanka and The Construction Industry

Sri Lanka is a lower – middle - income country where per capita income would be the US \$ 3924 in the year 2015 and manufacturing sector followed by 28.9% while at decreasing rate comparing to the previous. The level of the inflation has been continuously increasing since last few decades while showing the significant gap in the balance of the payment in the current account of the government (Central Bak of Sri Lanka: Annual Report 2015, 2016)

As per the currently employed person by the industrial sector in Sri Lanka is decreasing at a considerable level since the year 2013 up to the year 2016 which influence by an unfavourable situation where it created through narrow government policies, losing competitive advantage and global recessions which adversely impact due to them due to high level of interdependency. Other than that, cultural deference's and a certain number of paradigms are some of the reasons to create uncertainty in the secondary sector in Sri Lanka (Abeyratne, 2004).

According to the present situation of the country, employed person by industrial sector in Sri Lanka has been declining rapidly for a few decades and also it was 1,366,162 in year 2013 and 1,098,792 in the year 2016 - Q3 which is 19.57 % reduced the opportunities within 3 years' period which is significant due to its steep level of reduction where it can have certain effects to the economy and significantly possible for the bankruptcy (IDB, 2016).

Employee contribution is very critical and it is essential for the success of any organization due to one of the significant factors of production and their contribution and skills and knowledge are the

prime elements of output that are measurable in organization productivity to receive the competitive advantage to the business. Therefore, the employee's contribution would be significant and strongly related to the organizational output without consent to the size and the nature of the business (Kulatunga, Amarathunga, Haigh, & Rameezdeen, 2006)

2.8. Effects of Motivation on Organisational Objectives in The Field of Construction

Employee motivation is one of the significant elements of achieving the organizational objectives and it can have numerous effects on output through efficiency and the productivity of the business where a business will be able to receive the competitive advantage in the competitive markets. As per the Maslow's hierarchy of need consist of the level of needs and pyramid where it explains by physiological needs, safety needs, love and belonging, esteem need and the self - actualisation hoe important to motivate employees of the organisation, especially in the civil construction industry due to its nature (Ekanayake, 2014)

According to Taylor, presented the scientific management, which mainly insists on the inefficiency of employees due to the weaker level of cooperation where it creates a miserable situation at the workplace. However, Taylor was trying to approach the best way of carrying out the task to achieve the organizational objectives. Hawthorne stated the changes in condition and financial rewards has very few or not at all than the interest that showing by the top-level management of the organization.

Elton Mayo explained the personal satisfaction and Herzberg's two - factor theory understand the motivators and hygiene factor to understand the level of the motivation by its employees. Other than that, many were contributed to the motivation of employees and Vroom and Porter, expectancy theory and further stated by Adam's equity theory, which is significant among them.

2.9. Non - Compliance to Market Salary Scales – Underpaying the Labour Force

According to the business location factor, the most of the foreign direct investment (FDI) and another type of foreign investment are significance on cost-effective methods, which based on factors of the production such as labour and the land where they can achieve certain profit through them.

However, it clearly understands that physiological needs are some of the significant factors to be considered for the level of the motivation of employees which effecting to the employee turnover and the employee unrest is underpaying the staff (Reftery, Pasdilla, Chiang, Hui, & Jang, 1998).

Compared to the level of inflation, the salary scales have not risen accordingly where employees are unable to meet even basic for the day – to - day life. Therefore, based on salary structures, which lag behind the inflation despite where government regulations that have been passed onto employers under the minimum salary scale would be important for any organization without consent to the industry.

Conversely, the civil construction industry has been facing calculation of performance and performance-based salary scale to the employees which are important for the motivation of employees of the small and middle - level construction companies where it co-related with the productivity.

Other than that, unfair labour practices are illegal according to the National Labour Relations Act (NLRA) and human rights. Employees are human and violating right is criminal and unethical according to the United Nations Human Rights Act and all the member countries are responsible to obey the rules and regulation as per the conditions.

In the aftermath of the global recession and the economic slow - down, the apparel industry has taken a major shift in its product design, development and production phases. This has created a major restructuring of lead times into very short turnaround timelines that have put immense pressure on the workforce where employers are trying to achieve a competitive advantage through low cost, simply by labour.

Because of the rapidly increasing global pressure, the ABC company has set very strict standards and guidelines of daily efficiency limits and daily production targets for workers to abide where they could not finish their work on time or meet the daily targets, they were penalized by the compromising their performance allowances, in which had been an attractive opportunity equation when the jobs were advertised during recruitment process.

When workers realize that they will not achieve their targets, which is not really where they are losing their incentives due to situations beyond their control, such as machine failures, or raw material delays that affect their production targets, they feel dissatisfied and lost the morale and motivation.

This significantly has contributed to the employee unrest of the organization where it created a demoralized situation especially in small - scale civil construction companies in Sri Lanka (Reftery, Pasdilla, Chiang, Hui, & Jang, 1998)

2.10. Management Incompetency in Small - Scale Construction Companies

Incompetency in managing the employees fall into poor HR management practices that affects the overall efficiency, effectiveness, and morale of the employees. It deflates the positive thinking and the “can-do attitude” and may get linked with series of other complications that can create associations with health problems, employee turnover, reduced efficiencies, and effectiveness as well as employees harboring a negative attitude that can lose the employee’s care for the company that they may demand more perform certain additional tasks which are not their core objectives (Carter & Auken, 2006).

They could even perform certain tasks to bring discredit to an organization by performing various tasks that are undesired, and sometimes - even theft. Therefore, it is very essential that management have an efficient process to control human resources. The main reason for such situations that arise is due to poor communication. As the workplace gets faster, some managers tend to give very brief instructions that may confuse workers and that will further confuse the workforce.

When work is not done, or desired outcomes are not met, the employees are blamed for the confusion, which causes anger and resentment. When an employee is angry or feeling resentful, there will be less likely that he or she will perform his job, rather, they will look for employment opportunities elsewhere. This will not only create employee stress, and high turnover, it increases the cost and reduces efficiencies.

Managing human resources involves using humans to create certain outcomes as per the objectives of the business efficiently. However, it involves certain policies of the organization, activities, morality, and culture, where it needs to optimize its process in order to gain the best allocation of resources while determining the prices. Resource allocation and price determination are two major elements of the business activities, which may depend on the productivity of the employees and the ability to achieve the economies of scale (Abeyratne, 2004)

Therefore, human-related activities are significant to achieve the business objectives in a cost-effective manner and will be able to create them as an asset to the organization. Understanding objectives of HRM through planning, organizing and executing its activities as per the strategic and operational goals, will help to meet the business objectives as per the expectations.

Other than that, the maintenance of the required number of standards will help to enhance the performance, directly affecting the productivity positively through better HRM practices. The role and the job design are important to assign responsibilities to its employees while understanding the motivation factors.

Other than that, providing enough orientation, internal and external training for them are some of the elements, which may be enhanced via effective methods of communication. However, HRM planning will be one of the major parts of the HRM, which helps to forecast the requirements of HRM as per the changing environment to meet the demand, which is strongly important to the business objectives.

HRM is one of the main concerned areas for planning its activities, where it is responsible for the top-level management of the organization. Understanding the level of the authority will allow being centralized via the span of control, and is important as per the planning. Other than that, functional authorities are involved in an authorization to make efficient decisions as per the situation. However, these situations should be higher based on the policies and the procedures of the organizations, which are formulated to achieve the goals through LEAN methods (Ekanayake, 2014)

Leaders are the asset to the organization while there is an impact on numerous for the outcome of the organization. Leadership is the power of influence to achieve the common goal of the organization where it will help to gain a competitive advantage to the business. Other than that, leaders are good communicators who are able to deliver the expected result as per the set objectives of the business.

Productivity and efficiency have a considerable level of the relationship due to falling average costs. Measuring labour productivity will be one of the significant tasks of the business, which depends on the output of the employees and the number of employees who are involved in the process. Other than that, measuring capital productivity may depend on the output and the amount of capital employed. Therefore, emphasis on cost-benefit analysis (CBA), and planning as per the corporate plans, will be accounted for when achieving the expected goals as per the vision of the business through the production process will help to enhance the cash inflow and avoid from bankrupt.

2.11. Factors Affecting Success of Small Scale Construction Companies

Success has been the ultimate goal of every business activity (Chan, Scott, & Lam, 2002). It is highly important for organizations to be successful in their businesses in order to survive in competitive business environments. There are many definitions of success. Traditionally, it is defined as the degree to which goals and expectations are met. On the other hand, one of the definitions of failure is the inability of a firm to pay its obligations when they are due (Frederikslust, 1978).

Factors that are considered to be important in producing construction company success differ in relation to the organization size and the organization's ability to cope with these factors (Hutchings & Christofferson, 2000). These factors seem to be similar globally in their identification but they do differ in their implementation in relation to the organizational size, the organization's main business diversion and to the organization's culture. These factors have been collected from the literature review as they appeared to be the most significant factors influencing the performance of small scale construction companies.

The organization success factors can be identified as; appropriate organization structure, building stable teamwork, risk managing capabilities, appropriate management systems, positive personal traits of the initiator, the existence of a strategic view, good business management, good financial management, good time management, careful project selection, achieving good project performance, Experience in industry, the use of expert advisors, networking ability (Chan, Scott, & Lam, 2002).

There are case studies that suggest an obstacle to an effective client–contractor working relationships is a failure to agree on measures of success and a failure by the client to consider the needs of stakeholders. The measures of success emphasized as important by client and contractor organizations and the extent to which differences of emphasis are translated into project management practice. contractors put more emphasis on minimizing project cost and duration, whilst clients put more emphasis on satisfying the needs of other stakeholders. However, in their project management practice clients show no stronger focus on meeting stakeholder needs than contractor organizations (Bryde & Robinson, 2005)

From the smallest startups to most major corporations, offshore outsourcing is touted as having major benefits for these companies alike. Offshore Outsourcing allows businesses the ability to reduce costs, increase shareholder value, gain competitive advantage, decrease cycle time, improve customer loyalty, gain staffing flexibility, increase revenue, and ultimately allows a business to focus on its core competencies. In theory, these facets should equal a successful venture when applied correctly. However, things are not always as they appear (Hanna & Diam, 2007)

Some firms have been successful in the international arena, while many are still struggling to gain a foothold outside their domestic markets. The characteristics of construction firms that enable them to secure contracts outside their home countries are investigated. In order to win more overseas projects, firms should be well established, have the stronger financial capability and have continued operations in the home market (Ling & Kwok, 2007)

Gaining or maintaining a “contractor’s” competitive advantage is not easy as it is determined by a large number of factors. Identification of critical success factors (CSFs) allows one to reduce the vast number of factors to some manageable few but vital ones. Based on the CSFs, contractors’ limited resources such as money and manpower can be allocated and aligned appropriately for yielding a maximum outcome of overall competitiveness. The identified CSFs can be grouped into eight clusters, namely, project management skills, organization structure, resources, competitive strategy, relationships, bidding, marketing, and technology (Lu et al. 2008)

In addition to that most of the time, any type of business will be governed by external Environmental factors, mainly societal and industrial. Societal factors can be identified using PESTEL analysis and industrial factors from Porter’s Five forces. Positive aspects of these factors possibly drive the organization to their success (Beckhard, 1969)

Partnership refers to a long term relationship and is based on mutual recognition and understanding between the transaction parties that each companies’ success in the transaction is intrinsically dependent on the other (Kim & Park, 2003)

From literature company success criteria and success factors can be taken into a graph as follows:

Table 1: Success criteria and factors from the literature

Item	Success factors	ChanChan, Scott, & Lam, (2002)	Bryde and Robinson (2005)	Chan et al. (2004)	Hanna and Daim (2007)	Ling and Kwok (2007)	Lu et al. (2008)	Mbachu (2008)	(Beckhard, 1969)	Kim and Park (2003)
1	Entrepreneurial Characteristic of the owner	√					√			
2	Risk taken attitude	√								
3	Network ability of the stake holders	√	√	√			√	√		
4	Mutual understanding among partners									√
5	External factors			√	√	√			√	
6	Cash flow	√	√		√	√				
7	Retain correct Staff members spirit/morale/trust		√	√			√	√		
8	carefully project selection	√								

Chapter Three

3. RESEARCH METHODOLOGY

3.1. Introduction

According to the research methodology, it is the design of the research involving conducting in-depth interviews to developed case studies on real-world construction companies. However, as per the methodology, it clearly explains the method of developing the case studies, which it analyses for the answer of the research as per the questions (Ranjit, K., 1999). However, it will help to identify the relative areas through its cross boundaries which will help to answer the formulated questions as per the particular research.

According to the particular research of problems faced by the small - scale construction companies in Sri Lanka, it' design involves selection of samples, population, collection of secondary data, the conceptual framework of the research, research analysis, and presentation which helps to answer the formulated questions and also to answer the research hypothesis.

3.2. Selection of Sample Area

As per the Sri Lankan context, 70% of the construction activities are covered by less than ten larger construction organizations where they are involved in cartels and the collusion even under the industry regulations of Sri Lanka. As per the research, the sample area will be the selected small-scale construction companies, in order to identify the effect of financial risk management on the financial performance where it has been leading to failure or success for a considerable time period. For this, we have chosen four companies which are known to us. Since we have chosen companies that are known to us, we were able to get accurate data from them. From these four companies, two companies are now at the medium level of the construction industry and other two companies stopped their activities due to failure. From the two medium level companies, which we have selected, we have taken only initial stage data.

3.3. Population

Small-scale civil construction organizations would be the population of the research methodology to analyze.

3.4. Collection of Data

Collection of data is significant for the research, whether it is collected primarily or secondarily, which will help to the process of collecting and determining them, in order to answer the formulated questions of the research (Kumar, S. and Phrommathed, P., 2005).

Data collection was done as a case study method where four construction companies have been analyzed deeply to identify the required backgrounds of them.

3.5. Conceptual Framework of The Research

This may be a written or visual presentation that explains either graphically, or in narrative form, where the main things to be studied including the key factors, concepts or variables, and the presumed relationship among them” (Chandradasa & Ekanayake, 2011). The conceptual framework of the research will guide the theoretical framework of the research which will be restricted to the boundaries.

However, it will help to select the appropriate methods as per the literature, which helps to understand the concepts, some of the assumptions, expectations through research questions, hypothesis, beliefs, and other theories that support to receive the answers to the questions.

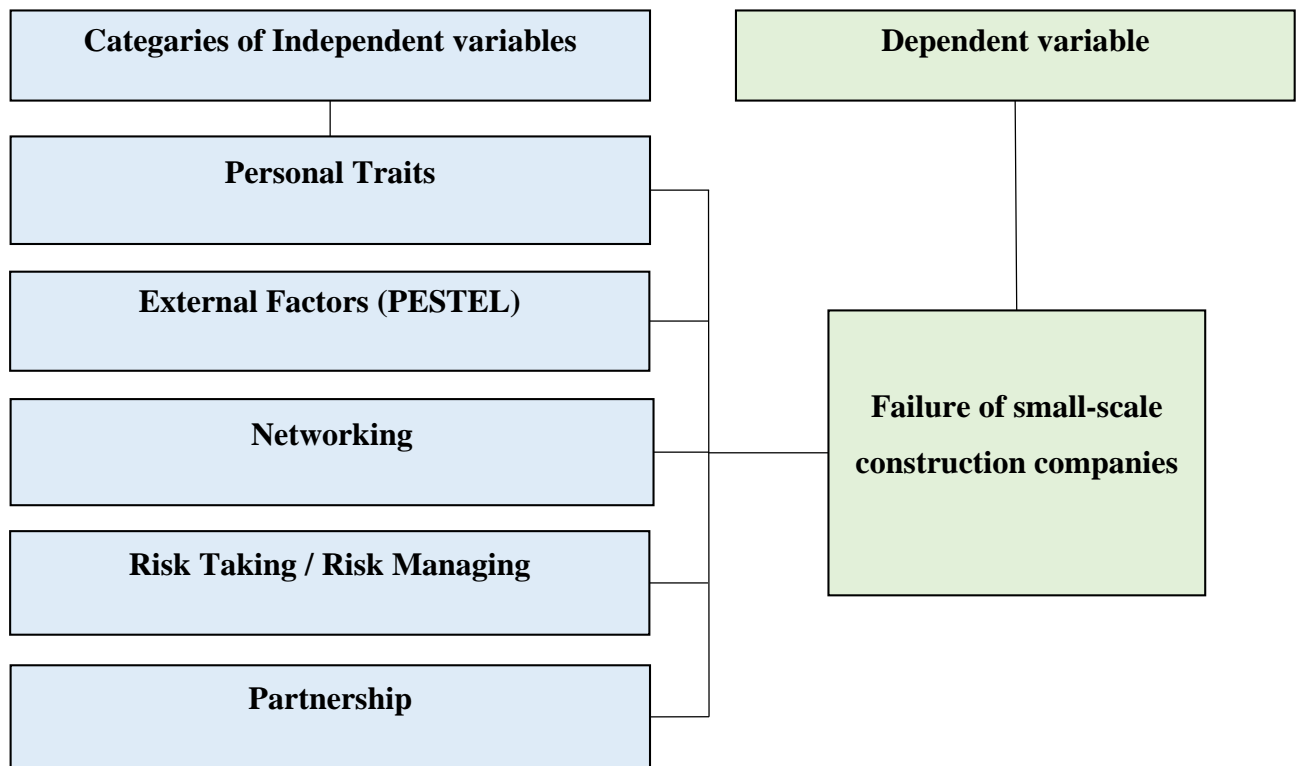


Figure 1: Conceptual Framework

3.6. Research Analysis and Presentation

As per the qualitative analysis, all the cases which have been developed using primary and secondary methods of data collection will be analyzed to get an in-depth review of the small-scale construction companies that have been selected as cases. Then the analysis used to answer the research question and formulated a strategic conclusion for the research.

Chapter Four

4. DATA ANALYSIS

4.1. Introduction

This chapter presents the analysis of the data collected using the case study developed via key informant interviews which were held with the initiators of small-scale construction companies. The chapter consists of the analysis of the cases made from the key informant interviews. Accordingly, the researcher made an attempt to highlight the key success factors of successful construction companies and the effect of those factors and the relationship of the failures in the similar scales of companies.

4.2. Development of Success Case Studies

4.2.1. Case 01 – ABC Engineering (Pvt) Ltd

Mr. X - Director of the ABC Engineers (Pvt) Ltd

I am the Director of the ABC Engineers (Pvt) Ltd. I graduated from the University of Moratuwa as a Chemical Engineer in 1993. I have been followed a Post Graduate Diploma in Environment Engineering, but not completed and Master of Business Administration at the University of Sri Jaywardenepura. I am a successful entrepreneur and I am very satisfied with my current financial status. Now, I have achieved one billion over turnover annually for two or three years and I have got huge financial success as an entrepreneur. Also, I have been a job creator and 220 permanent office staff and 300 direct labours are working under my administration.

I wanted to be an entrepreneur or start a new business since my A/L classes. My father was also a businessman and he earned high income from his businesses. So, my family background and inborn experience about business also might be influenced by my entrepreneurship intension. And also, freedom, high income, satisfaction, job-creating as a social service, developing status is caused to be an entrepreneur. But my father wanted to see as an engineer and finally, I was an Engineering Entrepreneur.

When I was an undergraduate, I started my own business, because I had a vision for being a businessman. I conducted an Engineering workshop at the University of Kelaniya when I was an undergraduate. That was a starting point of my business life and after that, I took government tenders and provided desks and chairs to the schools. Moreover, I undertook building construction projects as well. That was from 1986 to 1993; my university education period and universities were closed because of the JVP crisis at that period from time to time. Those conditions were also caused to speed up for starting my own business.

After I left the university, I joined with the UT(Pvt) Ltd (1993-1999) and worked at the Environment Department which was a newly started department under the United Tractors. I could involve the higher management of the company and got much knowledge and experience about how to work with high-level management and what their planning, organizing, directing strategies are. And also, I got a chance to deal with various foreign parties as well. However, that job provided me with an excellent opportunity to build up my future carrier. The influence of the UT was also caused by the start of my own business.

And, I had a dream to work with more than 500 employees. As a result of that dream, I started ABC Engineers (Pvt) Ltd in 1999 with two other collaborative partners. Six lakhs were invested as the first investment for the company and start-up financial status was good because financial stability was created from the past job. At the initiation of the ABC Engineers, we were the owners as well as employees of the company. All the works such as purchasing, documenting, invoicing was also done by us. After a while, we hired a mason and labour. Though there was not a driver, we had confidence and the ability to work as a driver also. And also, at the start-up, we faced the issues of skillful labours but we had confidence and inborn skills to develop the company and overcome those barriers. Banking issues were also influenced as the barriers to the growth-up of the company. At the initiation of the company, banks were not offered financial support since it was a big project. But, the most important thing was setting the targets and achieving the targets. We had a huge target with regard to our company. Also, we had a necessity and willingness about the future growth of our company. Accordingly, within the 1st year, we could achieve the seven million turnovers and 45-50% GDP margin of the profit. Accordingly, we had very good financial management even those days. We balanced the cost and income gradually. Profit was deposited and developed the facilities step by step. However, we didn't difficult to find new projects because we all were client-based. We had a lot of contacts and relationships since our past job experiences. The most important and inherent characteristic of the ABC Engineers was a good client-based relationship from the beginning and even developing stages. Commitment for clients was a very good moral even today as well as the start-up of the company. Honesty, commitment, and integrity for clients have determined the survival of the clients and it was caused to exist in the market and grow-up of the company without any crashes. Efficient leadership was also influenced by the development of the company. Good and effective communication with clients as well as employees, attractive personality, financial management and time management, open-mindedness and quality maintaining of the services were also caused to the development. One of the most important characteristics was good communication with each other. Word of mouth communication than advertisement was more effective for communication. And also, organizing

with systematic planning and fully and developed knowledge about the engineering was influenced by the efficient leadership and development of the company. Updating knowledge was base to handle the others such as clients, employees as well as labours too; knowing basics of Engineering was more important to handle the others. Education was only a supportive function and it was interrelated with more positive attitudes, talents, skills, and commitment for growing up of the ABC Engineers.

ANALYSIS

Case study 01 highlighted the key points of the success story of Engineering Entrepreneur Mr. X. There were important facts that can be identified when analyzing the case according to the research problem. The problem of finding the causes of Bankruptcy in small-scale construction companies can be answered if the factors which influence the success in small-scale construction companies can be express in detailed. Therefore, the success story of Mr X was elaborated as follows to identify the key points behind his success as a small-scale construction company at the beginning. Mr X was an Entrepreneurial personality form the beginning of his carrier. Even he has a family background with his father's involvement in the business sector. He was able to grab the opportunity of collecting the skills and abilities of an Entrepreneur form the early days of his life. This was the most prominent factor for the success of any form of venture. Many of the successful businessmen had a similar set of skills and abilities with reference to literature. Lack of Entrepreneurial capabilities will drive the business to fall out within no time. The success story of Mr X was mainly based on his personal characteristics and skills that he used to make a small-scale construction company into a Large-scale construction giant with billion Rupees turnover. Mr X was a visionary person who had a strong mid-set of becoming a successful businessman. He dreamed about his own company when he was doing his secondary education at the school level. Dream and vision are other crucial factors that always push companies beyond their boundaries to achieve higher success. He was a very openminded character to take the opportunity which was available to persuade his dream of becoming a business owner. Initially, he was not considered the core competency or relevant field of expertise he was at the time. He took the order of making chairs for government schools as his first project. He was willing to take the level of risk that was accompanied by such an offer as an immature businessman. Most of the stories of top businesses in the Sri Lankan context have been always dealt with higher risk levels at the beginning of their ladder. But it was advised by the management guru's in a modern context that the level of risk that you are willing to take does not guarantee the success of your business but how well you were able to calculate the risk and able to manage that risk will govern the success of your company. Most

of the failures of business in the contemporary world would have been due to the lack of ability to identify the real risk level and manage them. The success of the company will not happen if they just take the risk, but it will be if they were able to manage it wisely.

Mr X was gain his professional experience at the UT(Pvt) Ltd, where he was employed for six years. He was able to develop his professional as well as the social capacity with the UT company. He managed to develop a huge social network around him during the period. Those capacities were utilized at the maximum level by Mr X when he starts his own company. He used most of his contacts to develop a good client base. Relationship development with the client was most critical in service industries. The ability to develop such a relationship has been gained from the exposure that he gained from his first employment.

Mr X and two other partners were in the ABC company. At the initial stage, they were meet together every day and were discussed all of the decision matters about the company matters. Not only the company matters but it also discussed their family matters. So at the initial stage, they could take the correct decision without any conflict among the partners. Sharing good and bad things among the partners it was one of the main reason to success the company.

Mr X was motivated by the external factors which have been there at the time he was starting the business. He has to wait for about seven-year to get his degree as an undergraduate due to the political instability of the country. This condition drives most of the young students who were undergraduate in the Universities to search for a different path in their lives. Most of the students were able to identify their capacity as an entrepreneur and start their own business including Mr X. This shows that not only the internal characteristics of a person will govern the success of the business but also it will emphasize that the external environment such as Political, Environmental, Social, Technological, Economical, Legal (PESTEL),



Figure 2: PESTEL Analysis diagram

It was a very rare situation where most of the external factors act in favourable condition for business. Mr X was fortunate where the political and economic conditions of the country motivate him to start his own company. Social conditions were also in a favourable manner due to the rising demand for new construction need as a nation. Most companies were failed at the initial stages due to these external factors. Identifying these factors and manage them accordingly will be the reason behind the success of the companies.

Mr X and partners were all employees at the initial stage and they were done all the work such as purchasing, documenting, making quotations, invoicing, driving, supervising, etc. After the requirement of the company staff members were increased and maintained their facilities and skills. So they were working with their spirit, morale, and trust with owners of the company. These staffs were more helped in the success of the company. Most companies were failed due to the reason of not retaining correct staff members at the initial stage.

Mr.X was not going to select projects at the start of the company. But they were fortunate where not meet the incorrect client at the initial stage. But he said after stage they had to face more difficulties because of the un proper project selection. According to his opinion was project should select after the finding client's background of the past project.

By analysing summary of the highlighted points can be as follows ;

Table 2: Analysis of success factors of ABC Company

Item	Success factors	Poor	Moderate	Good
1	Entrepreneurial Characteristic of the owner			√
2	Risk taken attitude		√	
3	Network ability of the stake holders			√
4	Mutual understanding among partners			√
5	External factors			√
6	Cash flow			√
7	Retain correct Staff members spirit/morale/trust		√	
8	carefully project selection	√		

4.2.2. Case 02 – XYZ Engineering (Pvt) Ltd

Mr Y – Managing Director XYZ Engineering (Private) Limited

I am the Managing Director of XYZ Engineering (Private) Limited. I graduated from the University of Moratuwa as a Mechanical Engineer in 1992-1993. I have been qualified for CIMA and CI Electrical. Although I haven't any formal education background about entrepreneurship, now I am a successful entrepreneur and I can satisfy my current financial position. XYZ Engineering (Private) Limited is one of the on-going construction companies in Sri Lanka built on a firm foundation of professionalism and today it is one of Sri Lanka's fast-growing Engineering companies for total solutions of construction. Now, I have achieved 900 million turnovers annually and I have got financial success as an entrepreneur. And also, I have mental satisfaction as well, because I have been able to provide some job occupations to Sri Lankan youth and nowadays 46 permanent office staff and 100 direct labours are working under my administration. Today I am very satisfied with being an entrepreneur and a business owner.

Actually, I wanted to be an entrepreneur and to start a new business since my university period. But, I hadn't good financial stability and much experience to go for my own business; I hadn't the confidence to take a risk with a new business. So, when I passed out from the university, I joined with HD Group of Company as a Mechanical Engineer. HD was a rapidly on-going business in those days also and I got a chance for being the 2nd Engineer of the company. I got much

knowledge and experience from the HD and I could involve with their management as well due to my work commitment for the job. As a result, I was sent to Bangladesh for a new appointment and I could gain much knowledge and experience about business from that tour. After the return, I was the CEO of the washing plant of the company and it was provided much knowledge and experience regards on the management sector and improved my management skills too. That job provided me with an excellent opportunity to build up my future carrier. The influence of the HD was caused to the start of my own business.

But, after leaving HD, I joined SY Engineering Company for getting more experience.

As a result of entrepreneurship intention since the university period, I started a business with another co-partner in 2007. Because of the breakdown of that partnership within a short period, I had to left from that and after that, I started my own business; XYZ Engineering (Private) Limited in 2010. The start-up financial status of the company was minus because the first investment of 10 lakh was provided from a loan. At the initiation of the XYZ Engineering, I worked with two staff members and all the works such as purchasing, documenting, invoicing were also done under the intervention by myself. At the start-up, I faced the issues of financial and finding out new clients was influenced as a huge barrier for the company. But I never gave up and I had a target to grow up this as a most competitive construction company in the future.

However, the interaction of every level of people and interaction with the world was very much influenced by the start-up of the company and the more contacts with various people such as friends, colleagues, and co-workers of the past jobs were caused to grow up of the company. Actually, I learned about the business and its strategies from my past job of the HD and with the experience of that, I could correctly adapt to the system. The most important things were self-confidence and attitudes. The quality of open-mindedness, the ability to read other people and the good interpersonal relationship were caused to build-up a very good company of people around XYZ and actually, they were caused to go forward with a lot of issues and barriers. The huge network of people and good communication with each other was a very important factor for success. And also, good planning and systematic approach of the start-up were influenced to grow up and after that, at the development stages, the influence of talented and supportive staff members caused the highest improvement of the company.

Another important thing for the success was the faith of the customers. Although it was a small market, we maintained the quality of the service step by step without any discourages from the beginning and even developing stages too. Even today it is an inherent characteristic of the XYZ Engineering.

Actually, it was not only sufficient theoretical knowledge for entrepreneurship and engineering but also there had practical application too. And also, good attitudes and good communication skills were most important for the success of the company. However, the present XYZ Engineering (Private) Limited was the final outcome of the gradual process of many improvements as well as failures too and it was the huge creation of lots of commitment and experiences which was provided from several places and diverse people.

ANALYSIS

Mr Y was a successful Engineering Entrepreneur who developed his own construction company from the bottom. The case explains that he was not successful at the first effort that he made with another partner. The partnership was a failure when considering his experience. His story tells that he has gained a lot of experience from the jobs that he was undertaking at two companies. Even though he was failed at his first effort due to the lack of understanding among the partners. We can identify that the partners or shareholders for a company are the key factors for success as well as for failure. They are the front engine of the company which they have to put their full power to drive the company forward. Lack of cohesion between them will distract the main objectives of the company. That will lead to failure of Startup companies at the early stages.

Case emphasis that Mr Y was not demotivated by the failure that he had initially. But he was motivated to start his very own company as a challenge. Initially, it was not that easy for him. But, due to his personal characteristics and qualities, he was able to grab the grip tightly. Financial difficulties are the most highlighted factor in the case when starting the new company. His financial status was at the negative level with debt that already had with him. But he had a very good personality to overcome those financial situations with careful planning and strategic decision making. All these points highlight the personal traits that Mr Y had with him. His success was mainly governed by that factor as per the details in the case.

Mr Y was very good with personal contacts with people around him. Therefore, he was able to develop a huge network of people around him. He developed that capacity due to the experience and the knowledge that he gains from his past jobs. He left HD as Ex CEO of one of the plants. That status leads him to develop most of the contacts. Not only that but also, he gains the advantage of being a past employee of HD Group by getting direct contracts from HD's New factory complex in Homagama as well as, the Iconic symbol, HD Design Lab in Maharagama. That was the first time that he managed to get the contract which values more than 200 million. He was still handling his personal relationship to get more contracts as well as the opportunities in the field. He was

currently undertaking a factory facility of Norwood Fashion (Pvt) Ltd in Polgahawela which CEO of Norwood Fashion was a former colleague and an ex-senior staff member of HD Group. Case explains that Mr Y leads the company to its success using the personal contacts and relationships he developed.

Therefore, the success of business in any field can be achieved using good networking. Networking is one of the crucial but most neglected concepts in starting a new business. Especially when it comes to the construction industry most of the business deals should have to have very good personal networking to achieve a certain level of competitive advantage among the competitors. Lack of this networking ability will drive the company into isolation from the industry and left out from the main competitive market due to lack of competitive advantages.

Hiring and Retaining the right staff members are one of the key success factors that can be identified from the case. Mr Y was very much privilege as well as talented to retain young and energetic staff who are self-motivated and empower to carry out the responsibilities beyond the job scope that they have bound. The success of any company will have to be governed by the employees in the company up to some extent. Almost all the operational functions are handled by the staff members of the company. If they were not competent enough to achieve the respective level the overall performance of the company will degrade. Failure of start-up construction companies can have this problem with the right staff. Most of the time the staff was not directly to blame for the failure, but sometimes the company losses the advantage over the other companies due to the poor performance of the staff members.

Mr.Y was not selected project at the initial stage. But he was mainly focused on their main clients and he takes some strategy to avoid more effect to the company by quote the other projects accordingly the client relationship.

Case study of Mr Y exposes that he was not rushed through the ladder of success. He was very patient about the decisions that he has to take and opportunities that he has to grab to follow a sequential process to the top. He was emphasis from his story that initially it was only a small-scale construction project that he had undertaken. He uses a gradual process to increase the capacity of the company. Yet he did not rapidly accelerate the growth of the company. He was carefully monitoring the financial capacities of the company to match its capacity to undertake a similar kind of project or more. This was a very influential point for start-up companies where the growth of the company was very much in concern. Growth is important but the phase or the speed of growth should be carefully planned. If not, the company will end up being Bankruptcy.

By analysing summary of the highlighted points can be as follows ;

Table 3: Analysis of Success factors of XYZ Company

Item	Success factors	Poor	Moderate	Good
1	Entrepreneurial Characteristic of the owner			√
2	Risk taken attitude			√
3	Network ability of the stake holders			√
4	Mutual understanding among partners		√	
5	External factors		√	
6	Cash flow			√
7	Retain correct Staff members spirit/morale/trust			√
8	carefully project selection		√	

4.3. Development of the failure Case Studies

4.3.1. Case 03 PQR - Engineering (Private) Limited

Managing Director - PQR Engineering (Private) Limited

I graduated from the University of Moratuwa as a Civil Engineer. I hadn't any formal education background about entrepreneurship. But I started my own company name as PQR Engineering (Private) Limited in 2016 as a C7 Company. But unfortunately, it was functioned only for two years and because of some of the issues and problems, I had to close the company. It was a due lot of issues and barriers such as financial and banking issues, client base issues and labour issues, etc. Mainly, it was caused the financial issues for the failure.

After my graduation, I joined with the MG Construction Company and worked as a site engineer. Although I wanted to be an entrepreneur and to start a new business, I had some fear to take a risk and challenge without any sufficient knowledge and experience; actually, I was not confident enough; and I faced a financial issue at the start to form a company also. So, first I joined the MG. But I had an idea to start my own company since my university period and as a result of that, I planned a business about bottling water with the other two partners. So, we found a good location to start the business and we took all the approvals from the required authorities and found client base also. But we did not have a financial capability at that time and we wanted to find another Rs.1,000,000 to buy machinery and other equipment. However, due to the enthusiasm that we have

to start our own company, we tried to go for the bank loan and applied for that. But unfortunately, all loans were rejected due to government issues of the recent bond crisis. At that time, we had only two hundred thousand rupees (Rs. 200,000.00) in hands. So, it was not sufficient to start a business of bottled water. But, at that time, we had sufficient technical knowledge and much experience in the construction industry and about the construction sites and then we change the idea of business from bottled water to the construction industry. Accordingly, PQR Engineering (Private) Limited was started in 2016.

When we start the PQR Engineering (Private) Limited, we had only Rs. 200,000.00 as the start-up capital in our hands. So, we started as sub-contractors with about Rs. 300, 000 job values as our first job. But their payment was delayed about 3-6 months of period. However, it was a disadvantage to the start-up of the company. And also, we hadn't a good client base when we start the company. So, finding jobs was very difficult at that time. We couldn't find labour crews to match the rates that we quoted for jobs as well. Actually, with all these issues, I was mentally broken down. But I didn't give up and I tried to do this somehow.

I applied for the IESL loan of Rs. 3,000,000 from bank to minimize cash flow issue. And also, with the bank loan, we quoted for the government-funded jobs and we were able to get two jobs of constructing bridges. We were able to retain a good profit margin from one job and completed it successfully, but that payment was delayed. Then we have to bear a huge loss from the other job due to the bad weather condition. Unfortunately, our site was flooded in several times. that, we started two school projects and two RDA projects. All of them were government projects and the payments were not received on time, therefore it was badly affected to those projects also. And also, the involvement of my partners to the project at that time was not up to the required level as well as to his full capacity. Finally, I couldn't handle it with a lot of losses and I decided to close the company in 2018.

if I am talking about my failures, the first one was that I didn't get any support from the third party such as mentors, professionals, venture creation companies and our families as well to set up the business. All the decisions about the business and the implementation were taken by our self. I think that it was basically affected by the failure of our company. We should have gotten others' knowledge and opinions regarding the field before starting our company. It was our sudden decision to start a construction company and we were not considering the market conditions when we start the company. And also, the economic condition in the country was also affected by the failure of the company. The economic condition was unfavourable. The improper payment plans of the government were directly affected by the functions and operations of the company. We did

not have a plan to develop additional investment capital for the company from the previous projects. And also, the inflation of the material rate was very high. Accordingly, identifying the market rate of labour force and materials also are very important in the start-up of a new company. And also, it should be considered about the time and social, economic and political situations of the country. Where the unfavourable situation of the country can be influenced by the failures of the new companies. Not only that, but the client base also is very important. Actually, we hadn't much and satisfied client base at the start-up of our company and it was caused due to the inability of our team to develop a good network. Because, after my failure, I understood that good communication and understanding about the client is the most important thing to grow up in the businesses. And also, the background of the clients should be identified before working with them. Since the client's economic and mental condition as well is influenced by the relevant job.

However, I have failed in the first attempt of business and now I can identify my weaknesses and failures. They are;

- I was unable to search for the market when I start the company.
- I did not have a good client base and not be able to commit to clients.
- I was unable to find good working people and labours and I was not able to commit to them also.
- I was very poor in cash flow balance.
- I could not connect with the proper credit supplier base and suitable banking support.
- I started government jobs knowingly that the payment will be delayed.
- My partner's support was not enough.
- I started sub-contracting jobs without a proper agreement with contractors.

However, now I have been learned lots of things and gain a lot of experience from my failures. Actually, if I start another venture, I have a lot of things to get for that from my beginning and initial experience of failure. I will not be committed to any partnership again, because their influence and insufficient commitment create a barrier for the growth of the company. And, I should study about the market condition of the industry very much. I should gain sufficient knowledge about that. And also, before the start-up of new business, I want to gain a good knowledge of management strategies from current success businesses. And also, if I start my business again, definitely I should try it with a unique product to avoid market competition as there is a huge competition in the market industry. Not only that, it should have a good market base and should get much knowledge about the background as well. The commitment for clients, proper

communication and my contribution to them also are more important to validate the client's retainment with the business. And also, the persistence for the business is very much influenced by the growth of the company.

ANALYSIS

Case 03 explains about the failure of a start-up company and the factors that have been there to influence such a scenario. The case clearly indicates that the initial business idea was not to implement as a business due to the unfavourable circumstances developed from the external environment as per their thorough study about it. But the perseverance of the initiators was driven to change the business idea and sudden implementation of the completely different business which they were not studying and research well. That was one of the crucial points which lead to the failure of this business. The most important factor for the construction company at the start-up level was to identify the market conditions and position them accordingly. The not available experience about the business was the main reason that he couldn't identify the market condition. This was the failure of the success factor which is the entrepreneurial character of the owner.

Then the case emphasis the project that the company has undertaken initially. Most of them were the government-funded project, in which the payment was not given on time due to the government lag in the procedures. That factor has been highly influenced by this company to fall. The influence of the government was not a factor that they can control. Not only that but also, they were unable to get the loan that they have applied initially due to the problems in the government. Therefore, we can come to conclude that external factors have great influence over the success of the business as well as failures. PESTEL factors can be considered as a guideline to understand the external factors which will govern the success and the absent of those will lead to failure of the business as per case 03.

"I was not confident enough" was the statement of the initiator of the company. The personal traits of the owner of the company was another crucial factor in the success of the company. Absents of that will most of the time lead to failure in the business. Perseverance of tall the partners from the beginning to the end was not there in this company. They were not fully committed to the business from time to time. That creates an additional burden to the rest of the partners to run the business. The owners of the company just wanted to have a company but did not consider the core competency that they carry with them and market conditions. That also a problem of the personal traits of the owners. Those insufficient capacities of the leaders in the business also drive the business into failure as a start-up construction company.

The company could not achieve a competitive advantage over the other similar competitors in the industry due to the lack they have in their communication network. They could not gain any support from the credit suppliers, existing clients as well as the government. This is mainly due to the lack of ability of the partners to develop a good social network. They have been in the industry for a couple of years and yet they were not able enough to develop a good relationship with people in the same industry for such purpose. The satisfaction of the clients was not completely acquired by the company due to weakness in networking. They were not able to understand the client's requirements from the project in terms of cost, time and quality. Therefore, lack of proper Networking can be seen as per case 03 which acts as one of the factors that lead this company into failure.

The risk that has been associated with the company from the beginning should be taken into consideration. Then only we can identify the future treats and activities that we have to take for the mitigations and control. Risk analyzing and control was another critical aspect that was absent in the company in case 03. They were not considering the risk factors at all in their decision-making practices. Once one of their projects was delayed due to natural flooding. Therefore, they were suffered from a huge loss at the end. But if they were planned for this type of event in the early stages of the project with proper risk management techniques, they should take many precautions to prevent the delay. Working with the government was another risk-taking activity that this company enters in to. When such decisions are taken, all the possible risk factors should be identified prior to commence the operations and plan activities accordingly.

Therefore, case 03 highlighted that the absence of success factors in the business, that we have been identified using success stories, will lead to small scale construction companies in contemporary Sri Lanka into failures. This was solely based on the case studies that we have been studying and analyze throughout the research.

Summary of the highlighted points can be as follows;

Table 4: Analysis of Success factors of PQR Company

Item	Success factors	Poor	Moderate	Good
1	Entrepreneurial Characteristic of the owner	√		
2	Risk taken attitude		√	
3	Network ability of the stake holders	√		
4	Mutual understanding among partners	√		
5	External factors	√		
6	Cash flow		√	
7	Retain correct Staff members spirit/morale/trust		√	
8	carefully project selection	√		

4.3.2. Case 04 - LMN Engineering (Private) Limited

Managing Director - LMN Engineering (Private) Limited

I am a BSc Engineer at the University of Moratuwa. When I start my own business in 2013, I hadn't any formal entrepreneurship education or management knowledge. But I started the LMN Engineering (Private) Limited and tried to go forward with it. Anyway, unfortunately, I was not able to continue it for various reasons. Mainly, various manpower issues were affected by collapsing the company.

After my graduation, I worked at Colombo DY (Private) Limited as a site engineer. When I was working at DY, I involved in constructing the pilot yard. But they didn't pay my requested salary and other remunerations after my probationary period. Because of that, I was not satisfied with my salary as well as the company. So, I decided to resign from it After that they requested me to do this job as a subcontract to the mother company. So, I started my own company to supply my service for making a pilot yard with the collaborating two other partners. They were also engineers at DY. That was the start of LMN Engineering (Private) Limited in 2013. Actually, it was a sudden decision and it was not long-time planning.

When I start the company, I had good knowledge of the mechanical engineering side and good personal relationships with peoples inside the DY. So, it was easy to work with them. And also, at the starting stage of the company, our financial capacity was stable and it was Rs.3,000,000. The

economic condition in the country was also favorable at that time. So, initially, I did not have any big issues for the company, because I started it upon the request by the client. But I couldn't process my own decisions in the company due to my partners' superiority over me inside the DY PLC and afterward. They involved in the decision making and most of the time they were not supportive. I was failed to manage them. However, I didn't get any huge support from the third party to set up my company. But, the Project manager of the pilot yard in DY PLC helped me to start the company. Anyway, it was a failure of the business which could not gear up to compete in the industry.

Mainly, handling manpower was very difficult inside the DY due to the unfair behaviour of the permanent staff of it. They paid a low salary for my labours than their labours. So, they stopped their works and did a strike. And also, management decisions towards our company was not favourable at the starting time. Management wanted to be in a comfort zone than the development of the company. However, they decided to make a comfortable office by using initial financial capacity. It was not used for the growth of the company or as an additional capital reserve of the company. Actually, it was very much affected by the failure of the company.

However, another project was done as a subcontractor to Satra Engineering (Private) Limited after the DY projects. When we were doing our project, Satra was terminated by the client, Maharaja. They claimed their performance bond from Satra. So Satra had to hold all of the subcontract payments. Also, Satra kept 10% of retention from our job and that was approximately the profit margin of our company from the project. However, this leads the company facing huge loss and even we had to stop the project at DY also. Finally, the cash flow balancing of our company was not able to manage properly and we decided to close the company.

Actually, now I have gained a life long experience from my previous job; as well as premature failure. If I start another venture again from the beginning, first I will select suitable partners who are not a higher position of me. Also, it should be a good mutual understanding among the partners. And also, definitely, it should have very much understanding of the client's background such as payment conditions, the required quality of product and so on. Not only that, it should make the quotation by identifying all terms and conditions of the agreement before starting a new job. And also, I will not start any job without writing the agreement. Also, the Estimated project duration of projects of a project should consider carefully in order to accompany the price escalation of the materials into the cost estimation. There can be higher variations on that when increasing the project durations. Actually, understanding the existing market also very important to the initiation and development of the company. When I start my previous company, I hadn't any knowledge and experience in the market.

ANALYSIS

Case 04 showcase the story of another company that was not able to succeed in the industry. When it comes to this company also, we can argue accordingly that the absents of the success factors have been led the company into failure. External environmental factors were in a favourable condition in this case study. The government and countries' economies were stable at that time. The present of this success factor was not enough to overcome the failure in a particular company. PESTEL factors can be present in a favourable manner even though the other success factors were absent in this case.

The start-up of the company was a sudden decision of the initiator without a proper long-term strategic plan. He initiated the company just to cater to the short-term requirement of a single company. Therefore, this start-up was focusing on one single client. It was not a very wise decision taken by the initiator of the company to form a company for that type of requirement. He should have personally involved in the project as an individual rather than a company. That was the starting point of the failure of this company. They were having a sufficient amount of financial capacity to survive in the industry even with the single client base. But they were not carefully utilized that financial resource to gain financial advantage. They have failed as an individual person when it comes to managing financial capital. Not only that but also, they do not possess the confidence to carry out the operation of the company at the beginning. Even at certain time periods, they were reluctant to catch up with the market performance due to the lack of perseverance of the owners. Personal traits of initiators are crucial for this type of start-up companies in order to succeed in the industry. Therefore, case 04 showcase that the absence of good personal traits will lead to the failure of the business in terms of many aspects.

The company was able to develop a good relationship with the client as the owner was a former employee of the company. Even though the relationship was not very well managed by the company due to many reasons. The case shows that there was a problem with unequal salary scales for similar categories of the labour force. This differentiation hams the operational capability of the new company. If the relationship and network were well managing this type of miscommunication can be done well. Networking will lead the companies to gain new projects and jobs due to good recommendations from the previous clients. That was a very critical aspect where the negative impact was as same as the positive. That will clearly define the success or failure of the company. Not only that providing a skilled labour force for the project can be done if the company was developing a good reputation among the lower-level strata of the industry as well. Therefore, lack of networking ability has been led this company to failure.

The company was able to take the correct decisions discussed among partners. But they make decisions with more conflict among partners because they haven't good mutual understand and they were not in the same category of the industry. So when problems have happened with their main client, they can not come to the decision with all agreed. So their final decision was stopping the company. because of that mutual understanding among partners is a very critical factor to small scale construction companies.

Risk identification and mitigation was another success factor that was present in the successful companies in the contemporary context of the Sri Lankan construction industry. There are many risks associated with this particular industry by its nature. Case 04 gives the implication that the company was not considering the risk factors carefully when they execute the operations. They have not foreseen the risk as well as they never even thought about mitigation measures. Lack of this crucial factor could be one of the possible reasons for the failure of the company in this context.

Summary of the highlighted points can be as follows;

Table 5: Analysis of Success factors of PQR Company

Item	Success factors	Poor	Moderate	Good
1	Entrepreneurial Characteristic of the owner	√		
2	Risk taken attitude		√	
3	Network ability of the stake holders	√		
4	Mutual understanding among partners	√		
5	External factors			√
6	Cash flow	√		
7	Retain correct Staff members spirit/morale/trust		√	
8	carefully project selection	√		

Comparative Analysis of the cases can be as follows;

Table 6: Comparative Analysis of the cases

Item	Success Factors	ABC	XYZ	PQR	LMN
		Good, Moderate, Poor			
1	Entrepreneurial Characteristic of the owner	G	G	P	p
2	Risk taken attitude	G	G	M	M
3	Network ability of the stake holders	G	G	P	p
4	Mutual understanding among partners	G	M	P	P
5	External factors	G	M	P	G
6	Cash flow	G	G	M	P
7	Retain correct Staff members spirit/morale/trust	M	G	M	M
8	carefully project selection	P	M	P	p

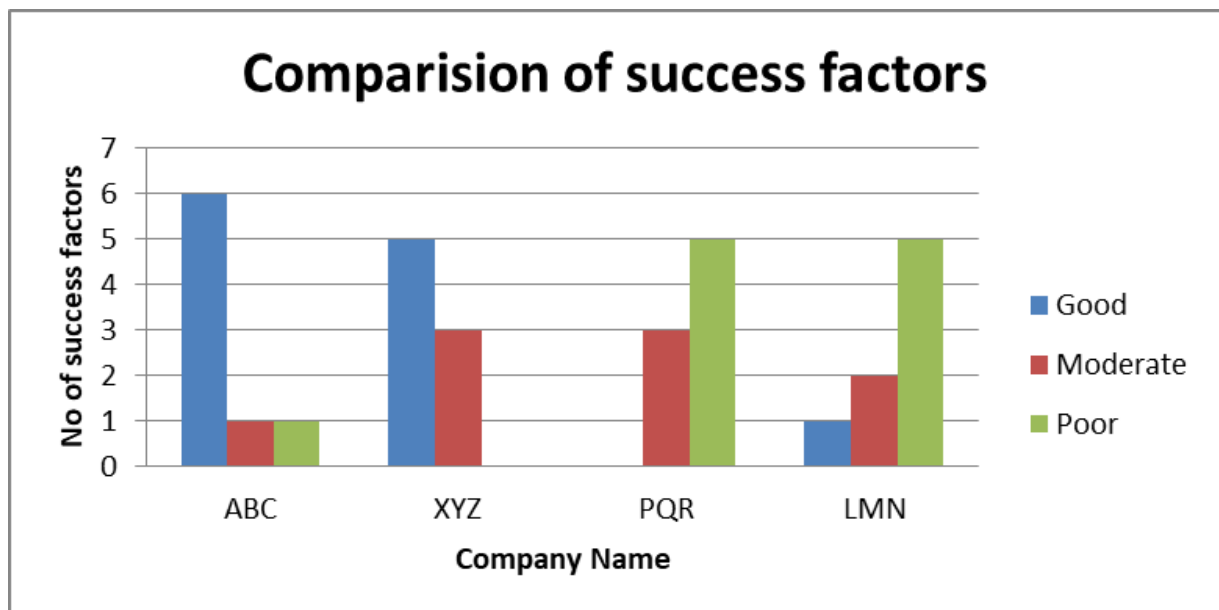


Figure 3: Comparison of success factors

According to the comparative analysis, it can be clearly identified that company ABC and XYZ have more than 50% Good with the selected success factors. They were poor with only one success factor. When we consider company PQR they were poor with more than 60% of the success factors and they did not have any success factor which they were good. When compare company LMN

we can identify that they were poor with more than 60% of the selected success factors and have only one good success factor.

Chapter Five

5. CONCLUSION

The primary data collected from the Key informant for the research have been used to develop and then analyze the cases to identify the circumstances in the construction industry for the respective section of the study. The previous chapter was focused on the developing of the case and analysis of that. Eight main categories of factors have been identified after the analysis of the case study for the success of the small scale construction companies. Lack of those overall factors will lead to the failures on the same scale of companies due to the similarity among the same. This chapter focus on concluding the research finding and provide a recommendation to overcome the problems that have been identified through the study.

5.1. Categories Factors governing the success of the small scale construction companies

5.1.1. Personal Traits of the initiators

Personal Trait of a person will govern all the activities that a particular person is engaged in. Most of the time people have a different set of personal traits that differentiate personalities in society. Initiators of successful small scale construction companies have shared their experience and the capabilities with the researcher to get a sound understanding of which traits will mostly govern the success. “Perseverance” was one of the key traits among them. The initiator will be the driving force for any start-up companies at the initial stage. He/she should take the batten and lead the race. If not there will be no one to follow him/her. Motivation and self-control was another trait which accompanied with the perseverance. Entrepreneurial characteristics should be key to the success of any business in the contemporary context in Sri Lanka. Therefore, the personal characteristics of the initiator will have a huge impact on the success or failure of the start-up small scale construction company.

5.1.2. Networking ability of the companies’ stakeholders

Networking has become a crucial consideration for any business entity in the contemporary context. It is one of the key factors that govern the success of small scale construction companies as per the analysis of the case studies. Networking extends to a broader area of scope. It contains, but not limited, to Building a relationship with the people in the industry, developing goodwill among the existing clients as well as potential clients, achieving trust and connection with the suppliers. This has been the most important factor for start-up construction companies to gain a competitive advantage over the existing market leaders. Cost-effective solutions and less time-consuming projects can be implemented if the company retains the advantage of proper

connections and networking with the relevant stakeholders in the field. Furthermore, networking is really necessary to establish a good brand name in the industry.

5.1.3. Mutual understanding among partners

Mutual understanding among partners is one of the company's most important success factors. Although it may seem simple on the surface, it is very difficult. A good partnership requires each partner to be able to transcend its own perspective and understand how its partners see the world. It takes effort and time. Therefore, trust between partners is very important. Partners can feel assured and confident, go all out, make mistakes and take risks. A little sacrifice can go a long way. Partners must act in a way that serves the interests of the other party first and sometimes bends the rules for help. This looks at the long term, which means being prepared to experience pain in the short term. Know in advance the sacrifices you are willing to make to show your commitment to a long-term partnership.

5.1.4. External Factors (PESTEL) to the company

Analyzing of the case study of the small scale construction companies have provided evidence that the construction companies have been highly depended on the External factors explained under the theory of PESTEL. Political, Economical, Social, Technical, Environmental and Legal are the external factors that mainly affect the operations of the small scale construction companies. Initially, there can be various reasons for a company to rely upon these external factors. They are not in a good position to change these factors according to their preferences. Start-up companies are yet new to the game of the market. Political gambling, economical mystery, social diversity, technical complexity, environmental sensitivity, and legal variability cannot be understood at the initial stages of the companies. Therefore, it was by chance that these factors are aligning in a favourable manner for a particular business entity. Favourable condition in these factors will lead to the early success of small scale construction companies. The unfavourable condition creates a barrier for small scale construction companies to established in the industry.

5.1.5. Risk identification and mitigation mechanism of the company

There is a different level of risk associated with a different circumstance in the business world. Risk identification is a very important task for any business entity to survive in industrial competition and diversity. The construction industry is one of the riskiest industries in the present context where many factors are affecting the industry that is not controlled by the industry. There

are many risks such as financial risks, government policy risks, risks due to the changing industrial norms, environmental risks, Risks associated with the trust level of the suppliers and clients, risk of inflation and price fluctuations, etc.

Small scale construction companies should have the capability to identify the above-mentioned risk elements to understand the nature of the game that they are playing. Failures will lose track of those risks and face difficulties when the risk encounters. But the successful companies have always foreseen the risk associated with each and every action that they have been taken and anticipate mitigation measures prior to the actions. The risk mitigation system should be crafted into the company and all its associates to train to deal with the risk on the spot.

5.1.6. Cash flow balance in the company

Analyzing the case studies of the small scale construction companies it was clearly evidenced that inadequate cash reserves at the required times were a top reason to fail the companies. In construction industry delay payments are one of the most common situation. At the beginning of a company it should consider more carefully with cash flow balancing methods. Making bank facilities or temporary line of credits, reducing unnecessary costs, mainly focus on project expenditures, not using money for personal matters, balancing cash flows based on projects are some of the strategies to balance cash flow by studying case studies. Small scale construction companies should identify the issues of cash flow and take a prior plan to prevent this issue to the success of the company.

5.1.7. Retain orrectC staff members

Maintaining a positive and motivated employee is essential to the organizatio's success. Employees who interest what they do and the atmosphere in which they work are likely to stay in their organization for a longer period of time. But for a small scale company especially for a construction company at the initial stage it is important to have a trust staff who is known. Then they can be managed easilly since their work patterns are adopt to the owner needs and also they were trained to work according to the owners.

5.1.8. Carefully project selection

When analysing the case studies it can be identified that selection of projects was very important. As per the success companies it is better not to do a project with high risk than doing. At the

beginning of a company when you have less no of project it is obvious for you to take a high risk and do a job than not doing a job. But as per the success company it is better not to do such projects. It is essential to identified the background of the client and consultant, time duration of the project, and special technical knowledge requird. Base on these factors and the projects you have then you can prioritize which projects you are going to undertake.

5.2. Summary of the conclusion

There are eight main categories of factors that have been identified as success factors regards to the case studies that have analyzed under this research. It can be subject to variation with the company to the company. But when it comes to small scale construction companies, they have similar patterns and nature. Therefore, the presence of the identified success factors leads to the success of the initial stages of the small scale construction companies. But if the company fails to practice the mentioned factors, it will end up as a failure. The research has been limited to four case studies. Industrial experts and the literature review also support the conclusion that these factors have a critical influence on the small scale construction companies.

5.3. Recommendations

The initiator of the small scale construction company should carefully analyse the success factors as well as success stories of the similar business models prior to start-up their new company and following points are very important to consider when starting a construction company.

- You should have good confident and mutual understanding among partners, if you enter to construction industry with partners
- You should have strong network with stakeholders before enter to the industry
- You should have improve your knowledge, skills and experience before the start of company in the area that you like
- You should have good idea about back ground of clients before doing projects with clients
- Don't start government funded projects at the beginning period because delay payment is common in government projects

- When you start a new construction company, it is highly recommended to analyse the PESTEL factors before you start the company. Because if you start at a wrong time period it will lead to bankrupt your company
- For the growth of a company it needs a good staff. Therefore retention of good, energetic and motivated staff is very important for its well establishment and growth
- Selection of projects is also very important for the startups. Because selection of a wrong project is riskier than not doing a job

5.4. Future research

This researcher has been limited to four case study analysis to make the research less complex. But further studies on this topic can be done by selecting more number of successful companies and failure companies. The data analysis method was selected as qualitative analysis, but with a large sample of structured data further analysis can be done using quantitative methods and validate the conclusion with numerical values.

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