Challenges facing newly established quantity surveying firms in securing contracts in Tanzania

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ABSTRACT

Purpose and objectives

The study focuses on investigating the challenges facing newly established quantity surveying practices in securing contracts in Tanzania. The challenges have led newly established quantity surveying practices not to fully utilize their professional potential in the construction industry.

Methodology

The research approach includes the use of literature review, questionnaire survey and structured interview. Literature review focused on bringing to light what other researchers have done on the subject while questionnaire and structured interviews were used to obtain the general and specific quantity surveying practices in the Tanzanian construction industry.

Findings

The study determined that the specific challenges faced by newly established consulting firms are quantity surveying marketing ethics, lack of detailed information during the invitation for expression of interest, and low fees charged by other firms.

Practical implication

This paper contributes to the understanding of key challenges facing newly established quantity surveying practices. The paper also addresses the need for the Architects and Quantity Surveyors Registration Board (AQRB) to review the current practices and monitor the fees being charged by Qs against their recommended fee scales. The AQRB and Public Procurement...
Regulatory Authority (PPRA) should integrate their objectives as far as professional fees are concerned.

Keywords

Qs practices, construction contracts, professional fees.

1. INTRODUCTION

The role of the quantity surveyor (QS) within the Tanzanian construction environment is of great importance to both clients and other industry professionals. Being in charge of financial matters carries with it a great responsibility and the quantity surveyor has the expertise to provide independent advice on these matters (Turner, 1988). Unfortunately, due to a lack of understanding by other industry professionals, the quantity surveyor, who is expected to fulfill the role of cost controller, is left simply playing the role of cost monitor. This has meant that the Quantity Surveyor is left wandering in the professional wilderness (Turner, 1988). The quantity surveying profession has not at any given moment fared well in terms of consolidating its achievements in the society despite its relevance and justification in the country’s economy. A quantity surveyor is a link person to all land based professions in matters of economy. With the increase in the complexity and cost of construction projects, the demand for an expert in construction economics is on the increase, hence justifying the existence of QS. However, since the inauguration of the QS profession in 1947, it has been haunted by its conservative nature of not ‘going out there’. More than 60 years since its birth in Tanzania it is claimed to be little known to the public. While some circles claim that its existence has been threatened by power hungry consultants especially engineers, its survival is further threatened by the opening up of the business frontiers to other practitioners outside the country (Mushumbusi, 2010).

Undertaking construction projects involves several stages and a number of stakeholders such as clients, consultants, and contractors. According to Sospeter (2004) the client or employer is the owner of the works to be executed; consultants are professionals or firms which manage the execution of works undertaken by the contractor on behalf of the client, and the contractor is employed to execute the work.

In construction projects, a client enters into direct contract with consultants for pre-contract and post-contract services. The consultants will undertake the management functions as delegated to him / her by the client. Hence, the consultants will act as the client’s agent. On construction projects, consultants include professionals such as quantity surveyors, architects and engineers. A quantity surveyor being one of the consultants on construction projects also enters into a contract with a client by
supervising the execution of work in terms of quality and cost control. (Sospeter, 2004; Shabani, 2004).

Practicing in any construction industry requires someone to have experience in his or her own field of expertise, likewise to quantity surveying professionals whereby in Tanzania, in order to practice as a Quantity Surveyor a person must be authorised by the respective Statutory body (AQRB). The newly established quantity surveying firms face difficulties with respect to job acquisition due to their unpopularity (Nyaluke, 2009).

According to quantity surveying marketing ethics (AQRB, 1997), companies practicing quantity surveying activities in Tanzania are not allowed to advertise their services through the media, posters, or brochures. It is therefore realised that marketing activities in the quantity surveying sector in Tanzania are the prerogative of the multinational companies (Nyaluke, 2009). The newly established quantity surveying firms use word of mouth as a main marketing tool, which doesn’t bring positive results in the short term (Nyaluke, 2009). Since clients enter into direct contracts with quantity surveyors to supervise their projects, it becomes difficult for a newly established quantity surveying firm to be trusted and awarded larger projects.

1.1 An Overview of Quantity Surveying Practice in Tanzania

The client employs the Quantity surveyor to assist in maintaining a budget surplus while the other consultants act without regard for the budget and without the quantity surveyor’s input, leading to a budget deficit which the quantity surveyor must take responsibility for. On Tanzanian construction projects, as on projects in other countries, the conditions of contract have been used to define terms, which shows every ones responsibilities on what to be done. It indicates what to be done by the project manager, architect, engineer, quantity surveyor, contractor, and the client. The team formation practice in Tanzania is mainly by the client who approaches a project manager, an architect, quantity surveyor or engineer. Then the one approached, will assist the client to selects other consultants such as an engineer or a quantity surveyor (Sos peter, 2009). The Procurement Act (2004) stipulates how nomination / appointment of consultants should be done for public works. Mostly, part of a team is formed before tendering for a consultancy service. Few key members are added after being selected. This may eliminate most of the teamwork problems, as the team members would have worked together on previous works. Another approach is by the client selecting consultants through tendering procedures or nomination. The client who is the owner and the financier of the project would normally approach a consultant for the design of the intended structure be it a building, a road, or an airport. The consultants and the client will enter into
a contract for the execution of the works starting from the design, preparation of tender documents, inviting and evaluation of tenders. Tenders will be evaluated and the successful contractor will enter into a contract with the client for carrying out the construction of the works to completion. The lead consultant will supervise the construction of the project to completion. The question here is: “How will the newly established quantity surveying firms make the leap? At all times the selection will be based on historical records, working relations with client / other consultants.

1.2 Qualifications to practice as a quantity surveyor in Tanzania

The qualification is designed for those working on a consultancy basis as a quantity surveyor, either in private practice or in local or central government in situations linked to the construction industry, and it reflects their role as client advisor on financial and contractual matters. This qualification is designed for those:

- Entering employment as trainees with a view to a career in project financial control, and

- Entering employment as trainees with aspirations to progress up the professional ladder to corporate membership of a relevant professional body. There are pre-requisite ages or academic requirements for those wishing to practice as quantity surveying professionals. With reasonable access to work based experience in a quantity surveying practice role and with opportunities to acquire the necessary knowledge associated with this role, candidates should be able to complete the registration award over a period of three years, as to the satisfaction of Architects and Quantity Surveyors Registration Board.

- As it is detailed by the AQRB for the qualifications to practice the quantity surveying profession provided under Section 10 (a) and (b) of the AQRB Acts of 1997, the Act stipulates that; subject to the provisions of this Act, a person or persons shall be eligible, on making an application to the Board in the prescribed manner and on payment to the Board of the prescribed fees, to be registered under this Act as an architect, quantity surveyor or as an architectural or quantity surveying firm if he satisfies the Board—just to mention a few: a natural person that, attained the age of 25 years; had a minimum of five years for architects and four years for quantity surveyors of approved training, a minimum of two years postgraduate professional training in Tanzania, in the work as an architect or quantity surveyor to the satisfaction of the Board and passed the prescribed professional interview, written examination or both, his professional and general conduct has been such as in the opinion of the Board, to make him a fit and proper person to be registered.
1.3 Regulation and rules governing quantity surveying practice

The government of the United Republic of Tanzania established the Architects and Quantity Surveyors Registration Board Act of 1997 to govern all activities related to architects and quantity surveyors. The main functions of the board are provided in the AQRB Act of 1997 Section 4. Furthermore rules and regulations that govern the Quantity Surveying practitioners are provided in the Architects and Quantity Surveyors Bylaws 2000.

1.4 Flow of Information about Projects

In the construction industry quantity surveyors work with public or private developers. With private developers the information regarding particular projects may be communicated to him either directly or through different media, by inviting the quantity surveyor for expressions of interest in carrying out the advertised task (Shabani, 2004; Nyaluke, 2009). For the public projects the information must be communicated in accordance with the public procurement Act 2004, which is through competition. It is therefore noted that the information regarding the flow of information about projects are normally communicated directly to the quantity surveyor or through media which is the competitive way, whereby different firms are invited for the expression of interests.

2. METHODOLOGY

2.1 Sampling procedure

In selecting the sample size a number of factors need to be considered, such as confidence in data, margin of error to be tolerated, type of analysis to be undertaken and population size. It is a general rule to have as large a sample as possible to reduce the possibility of error and to generalise with respect to the population. The criteria used to select the sample size for the consultants are: the firm must be registered, have supervised different classes of contractors on more than five projects, at least one project for each contractor. Furthermore, the firm should have less than 5 years of experience in the construction industry. While for general challenges this needed more experienced consultants of which the criterion considered was that, the firm should have more than 10 years of experience in the construction industry. The list of newly established quantity surveying firms obtained from the AQRB (2008) indicated 28 firms, of which 15 were randomly selected. 5 interviews were conducted to consultants.
2.2 Research methods

To obtain the primary data for this study, the questionnaires were distributed to the director of each of the individual quantity surveying firms. Follow-up interviews were also conducted with the director of each of the individual quantity surveying firms. A total of 15 questionnaires were distributed to consultants with less than five years experience, and interviews were conducted with 5 (five) consultants with more than ten years of experience in order to identify general challenges.

3. FINDINGS AND DISCUSSION

Respondents were provided with lists of some challenges faced by the newly established quantity surveying firms in securing jobs as identified in the literature review, whereby the respondents had to agree or disagree if his/her firm experiences those challenges. 12 Questionnaires were returned, upon which the discussion is based. The results are as shown in table below and the discussion of findings thereafter.

<table>
<thead>
<tr>
<th>S/N</th>
<th>Challenges</th>
<th>No. of respondents agreeing</th>
<th>No. of respondents not agreeing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Quantity surveying marketing ethics</td>
<td>10 (83%)</td>
<td>2 (17%)</td>
</tr>
<tr>
<td>2</td>
<td>Favouritism and corruption</td>
<td>9 (75%)</td>
<td>3 (25%)</td>
</tr>
<tr>
<td>3</td>
<td>Low fees charged by other competitors</td>
<td>12 (100%)</td>
<td>0 (0%)</td>
</tr>
<tr>
<td>4</td>
<td>Lack of experienced personnel</td>
<td>10 (83%)</td>
<td>2 (17%)</td>
</tr>
<tr>
<td>5</td>
<td>Competition of the existing firms</td>
<td>8 (67%)</td>
<td>4 (33%)</td>
</tr>
<tr>
<td>6</td>
<td>Lack of detailed information during the expression of interest</td>
<td>11 (92%)</td>
<td>1 (8%)</td>
</tr>
</tbody>
</table>
3.1.1 Low fees charged by other competitors

All respondents as shown in table 3.1 identified this as a crucial problem to quantity surveying profession. The study revealed this to be the dominant challenge over the other. Most firms are charging fees lower than the minimum mandatory fee set by the AQRB; this has been a great challenge to most newly established firms. The reason is likely to be the increase in the cost of construction, due to increased material costs and labour shortages, which have put significant financial pressures on developers, who are now trying to find ways of reducing their capital expenditure. Naturally this tends to encourage developers to search for the lowest possible price for all services. As a result in order for a firm to be sure in securing projects they normally tend to lower their prices. Furthermore they do not abide with the fee scale set by the AQRB because the PPA allows them to charge any amount as it does not state exactly the minimum fee that should be charged.

3.1.2 Lack of detailed information during the expression of interests

Eleven (11) respondents out of twelve (12), which is 92% of respondents agreed. This is because information given to them during the invitation for expression of interest is insufficient for them to compile calculated proposals. During the expression of interest, consultants are required to submit the financial proposal covering remuneration of the staff and reimbursable costs, also technical proposals must be submitted which covers the work plan, experience, work schedules and methodology. With this case in order for a consultant to arrive at probable and reasonable proposals, they need to be provided with detailed information regarding the projects especially in larger projects. They even suggested that they should at least be provided with sketches.

3.1.3 Quantity surveying marketing ethics

From the findings ten (10) respondents, which is 83% agreed to face this challenge. This is because according to the code of ethics that applies to the marketing of quantity surveying, QS practitioners are forbidden to engage in any commercial activities concerning services offered by their firm or themselves as quantity surveyors. Thus since they are new in the field and they need to expose themselves to the industry, they find it difficult to secure projects, especially large projects. Furthermore, most clients prefer to work with practices they are familiar with.
3.1.4 Lack of experienced personnel

The findings revealed that, ten (10) respondents out of twelve (12), which is 83% responded, positively by accepting and marking this as the one of the challenges they are experiencing in their firms. The number of QS graduates is increasing, and but they lack experience as they need more time to apply their theoretical knowledge. Furthermore, the construction industry is growing at a very high rate and buildings and construction technology are becoming complex, thus the industry requires experienced personnel to carry out the activities. Most newly established quantity surveying firms are not able to pay experienced personnel, hence ending up recruiting graduates who have got no experience. As a result when it comes to submitting their proposals they end up losing the project, because the company profile does not show extensive practice experience.

3.1.5 Favouritism and corruption

The findings revealed that nine (9) respondents out of twelve (12) respondents, which is 75% indicated that they have encountered this challenge. This is unprofessional conduct and it is not ethical. Most of the respondents complained that, some time, even the criteria used for awarding the projects were not explained or described clearly. They even questioned the practice where in some projects neither the most technically competent nor the lowest price proposal submitted are awarded the projects. Respondents claimed that some clients especially Public Works, have their preferred consultants, irrespective of their submissions and these are always awarded contracts. One of the respondents stated that corruption and favoritism is unavoidable in the construction industry.

3.1.6 Competition within the sector

Only 67% of the respondents indicated that they faced this challenge. This is notable as most practitioners would expect it to be the predominating challenge, because the existing firms have been practicing for quite some time, and thus have the appropriate experience and skills required for the submission of the expression of interests. They will always be the best in terms of experiences just because they have executed many projects. Some respondents said their company profiles are not well established in terms of number of employees, experiences and number of projects executed. This finding clearly indicates that newly established quantity surveying firms are challenged when it comes to securing jobs. The study also revealed that it is difficult to secure a project when you are not known to the client. Respondents were asked, if they had ever secured
any projects without having any relationship with the client or an architect. 33% of the respondents said yes, and 67% said No. Respondents were also asked whether they have ever secured big projects with a value of more than 1 billion Tshs. All the respondents responded yes, which is a positive trend and promising. However, 67% of the respondents said they were awarded the project directly by the client, and only 33% through competition. This is a serious situation because it implies that a practice must wait for a client who knows them, and then it hinders the firm to grow, when one doesn’t have someone to offer a big project. Respondents were also asked to state the number of big projects they have executed. 67% stated two projects, 16.5% stated three projects, and 16.5% stated more than four projects.

4. CONCLUSIONS

Arising from the questionnaire survey and the personal interviews, it has been determined that the preferred ways through which quantity surveying firms market their services to clients are through expression of interest, followed by word of mouth, and lastly through sign boards, plaque and letterheads.

The general challenges faced by quantity surveying firms are increased competition in the field and increased client expectations. However, the information technology revolution, globalization and world economic growth, new knowledge areas and new skills face QS practices. Moreover, expansion of knowledge and learning, and knowledge workers proved to be the least challenges encountered by quantity surveying firms. The specific challenges faced by newly established quantity surveying firms in securing jobs are, low fees charged by competitors, insufficient information during the expression of interest and quantity surveying marketing ethics. Lack of experienced personnel, favouritism and corruption, and competition from existing firms constituted lesser challenges. Furthermore, the interviewees added that there is a contradiction between the AQRB bylaws and public procurement regulations in terms of fee scales.

5. RECOMMENDATIONS

The AQRB and the PPRA should work together so as to realise common professional fees. It’s the role of the AQRB to create and ensure a conducive working environment in order to nurture the profession and bring its performance gain in the market. The important question to be solved here is “can they make the leap, and end the notion that newly established
firms cannot perform better. To enhance that, the body must promote and ensuring meaningful partnership during securing projects.

6. REFERENCES


The Architects and Quantity Surveyor Registration Board Act 1997.

The United Republic of Tanzania, Act No.16 the Public Procurement Act, (2004), Printed by the Government Printer, Dar es Salaam.