

**EFFECT OF PRE-QUALIFICATION ON CONTRACTORS'
SELECTION PROCESS IN CONSTRUCTION INDUSTRY IN
NIGERIA**

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Abstract

The research was carried out to appraise effect of prequalification in contractors' selection process as a criteria used for building projects in the construction industry. Field survey in different construction industry in Lagos State was conducted. Data were collected with the aid of structured questionnaires; 40 questionnaires were distributed to construction professionals of which 35 were retrieved. The questionnaires collected randomly and analyzed. Information gathered include; the major contractors' prequalification criteria, the sub contractors' prequalification criteria and extent of verification of contractor's document used to asses contractors on building construction works. Statistical Packages for Social Science (SPSS) was used to analyze the data collected. The research discovered that the professionals considered technical capacity more important among the major prequalification criteria. Organization reputation was not appreciated, the professionals considered it very important. 'Past performance and quality' among the sub contractors' prequalification criteria, responses considered it very important and political consideration with responses considered it very important. Also, 'evidence of incorporation of name and registration' among the evidence of document and information submitted for prequalification, with the respondent considered it as the most important. It can be concluded that some criteria were considered as not important, this is evident by the lack of percentage score allocation to those criteria. It also reveals that, incorrect information, lack of proper documentation, past client relationship are some of the problems encountered during prequalification. The study recommends that, professionals should aspire to understand, adopt and implement the requirements of contractors' prequalification criteria of building project. Different organizations should standardize respective building construction prequalification practices in putting into consideration all criteria on contractors' prequalification checklist with percentage score allocation to each criterion.

Key words: Construction, Contractors, Pre- Qualification, Professionals and Project

1.0 INTRODUCTION

In this era of globalization and increasing competitive environment, the need for evaluating contractors' performance becomes more crucial. This is because the technological complexity of construction projects generates enormous risks, and selecting a capable contractor is one of the most important tasks faced by a construction client or his representative who wishes to achieve successful project outcome (Fong and Choi, 2000). The importance of contractor selection is mostly underestimated and neglected in construction (Turkis, 2008). Li and Nie (2005) stated that construction projects became more complex, so also is the contractor selection process. This involves the elimination of incompetent contractors from the bidding process following a set of pre-determined criteria. This practice and procedure of contractor selection in the construction industry is found in most countries. Selection of competent contractor has been observed to be a key to the success of a project (Anagnostopoulos and Vavatsikos, 2006). Holt, Olomoliaye and Haris (1996) described contractor selection as a system of selecting competent contractor and negotiating the contracts. It is a task which needs to be addressed at the early stage of any contract programme (El-sawalhi, Eaton, and Rustom 2007). This process comes after advertisement. The quality of a good contractor is in his ability to complete a project on time, within budgeted cost and to the desired quality. This is not always the case in Nigeria (Fong and Choi, 2000). Several cases as reported in Ogunsemi and Aje (2005) are characterized by cost and time overruns, leading to substandard work, disputes and abandonments. These emanate from several factors which include the wrong choice of contractor. In order to select the most appropriate contractor for a project, baseline criteria which include financial stability, technical expertise, experience, and performance measures must be observed including other general information about the contractor (Turkis, 2008). Odusanmi (1998) viewed that contractor selection criteria in two stages namely, the prequalification and the bid /evaluation stages. According to Procurement Act (2007), the selection depends on the stipulated criteria and weightings, upon which an entity or contract administrators in the various public procurement offices seeks to give consideration.

2 LITERATURE REVIEW

2.1 The role of the prequalification process

According to National Procurement Construction Council (NPCC) (1998) the commonwealth, state and territory governments have agreed to use prequalification as one strategy to drive the development of a national construction industry committed to best practice, international competitiveness and the highest ethical behavior.

2.1.1 Criteria for contractors pre-qualification in the construction industry

The main criteria and sub-criteria for contractors' Prequalification and Bid evaluations were established on the bases of literature among; Holt, Olomolaiye, and Harris (1996), Kumanasaswamy (1996), Hustush and Skitmore (1997a), Hustush and Skitmore (1997b) and Russel and Skibniewaski (1998).

2.1.2 Financial capability

Financial capability or financial standing of a contractor deals with financial issues, ensuring that resources are available to meet the demands, performance standards and costs (Jerome 2005). Financial capability of a contractor relates to bank status which gives an indication of the financial management abilities of the contractors and their relationship with banks in case of insolvency (Ajayi 2010). Eady (2007) explained that it is a statement of the contractor's financial condition and resources, including the current assets and liabilities and a third-party's verification of any unsecured lines of credit extended to the contractor by banks or other financial institutions.

2.1.3 Financial strength (stability)

This measures the value of equity and working capital for the past two years or less. The greater the values of both financial factors the greater the number of the project packages can be performed. This financial strength indicates the maximum number of project packages a qualified Contractor can deliver at the same time for it and qualified main areas of construction work (Mangitung, 2005).

2.1.4 Financial status

The basis for evaluating the financial status of companies for prequalification is based on financial statements or balance sheets. Gransberg and Riemar (2009) stated that financial statement covers a broad range of possible information, used in over 200 countries and helping hundreds of businesses in Nigeria since 2001(Ajayi 2010).

3.METHODOLOGY

3.1 Method of Data Collection

The use of both oral interview and questionnaires were adopted to collect data. In administering the questionnaire a response of construction professional and staff in the public and private organizations were targeted. Data was obtained using project files and records of contractors' prequalification criteria list for building projects in Lagos. The population of the study comprises the architects, builders, civil engineers and quantity surveyors who are the core professionals representing the client, contractor and consultant organizations in the procurement process. The type of analysis used in the analysis of data for this research is the inferential statistics using statistical packages for social sciences (SPSS). Frequency counts,

the means item score for each criterion for each group of criteria and overall weighted average were computed; the mean item score for all the criteria are ranked for each organizations and all of them grouped together. Responses were presented in tables.

4. DATA PRESENTATION, ANALYSIS AND DISCUSSION

The interpretation of data was made using the questionnaire administered. The total numbers of 40 questionnaires were distributed purposively among different professionals in the construction companies in Lagos state, and only 35 questionnaires were retrieved. Analyses were based on the total number of questionnaire collected. ,

4.1 Data Presentation

4.2 The mean items score for each sub criterion.

Table 1: The mean items score for each sub-prequalification criterion calculated to obtain the standard deviation as follows.

<u>Code</u>	<u>Mean</u>	<u>Standard Deviation</u>	<u>Rank</u>
Political Consideration	3.0286	1.42428	1
Credit Rating System	3.2286	1.13981	2
Past Failure in Completed Project	3.4286	1.28991	3
Financial Strength of Contractor	3.5143	.98134	4
Progress of Existing Project	3.6286	1.19030	5
Project Management Organisation	3.7353	1.16278	6
Number of Years in Construction	3.8857	1.18251	7
Banking Arrangement and Bonds	3.9143	.95090	8

Relationship with client	4.0000	.90749	9
Cooperation with Contractors	4.0286	1.01419	10
Level of technology	4.0571	1.05560	11
Managements Safety Accountability	4.0857	.98134	12
Management Knowledge	4.1176	1.03762	13
Financial Status	4.1429	.87927	14
Financial strength of the Contractor	4.1714	.74688	15
Occupational Safety and Health	4.2000	.86772	16
Experience Modification Rating	4.2059	.88006	17
Quality of Personnel	4.2857	.66737	18
Time of Completion	4.3529	.48507	19
Safety	4.4286	.98134	20
Past Experience on Similar Work	4.4571	.65722	21
Plant and equipment	4.4857	.81787	22
Past Performance and quality	4.5000	.61546	23

Source: Field survey, 2018

From the table 1 it was understood that the most important sub pre-qualification criteria for assessing contractors in building projects was past performance and quality with a mean score

of 4.5 with rank 23th, plants and equipment with a mean score of 4.49 with rank19th and the political consideration with the minimum value of 3.03, and rank 1st as the least important sub prequalification criteria.

4.4 Evidence of document and information submitted for pre-qualification process

Table 2: shows the respondent response for each criterion used for pre-qualification process

S/ N	Contractor's document	5	4	3	2	1	N	Std.		Ran k
								Mea n	Deviation	
1	Evidence of pension scheme of workers	5	6	1	6	7	35	2.885	1.32335	1
				1				7		
2	Current work load	4	1	3	5	3	35	3.400	1.21752	2
			9					0		
3	registration with federal ministry of works	1	1	4	4	1		3.914	1.02736	3
		2	4				35	3		
4	experience and competent record of the organization	1	1	4	3	1	35	3.942	1.02736	4
		1	6					9		
5	organizational structure	1	1	5	2	0	35	4.028	.82197	5
		0	8					6		
6	Construction plant and equipment	1	1	1	5	1	35	4.057	1.16171	6
		6	2					1		
7	Evidence of tax clearance and value added tax	1	1	3	4	0	35	4.114	.99325	7
		5	3					3		
8	evidence of financial capability and banking support	1	1	1	5	1	35	4.171	.98476	8
		6	2					4		
9	Company address	1	1	0	5	0	35	4.257	1.03875	9
		9	1					1		
10	Staff strength of the organization	1	1	2	0	0	35	4.371	.59832	10
		5	8					4		

11	Evidence of incorporation name and registration	2	1	3	1	0	35	4.457	.78000	11
		1	0					1		
	Valid No						35			

Source: Field Survey, 2018

From table 2, the respondents stated that evidence of incorporation name of business and registration is the most important criteria during the verification of contractor's document and information submitted for pre-qualification process. Average mark for this is 4.66; professionals/staff consider it as very important. None of the respondents gave it a lower mark than 3, while the respondent consider evidence of pension scheme of workers as not too important during verification of contractor's document with an average mark of 2.89, of the professionals consider it very important.

4.3 DISCUSSION OF RESULTS

From the result of the analysis, it was established that among the major contractors' prequalification criteria of building construction projects; Technical capacity of the contractor is the most important criteria with a mean score of 4.68, the professionals and technical staff consider it as very important. None of the respondents gave it a lower score than 4. The remaining criteria as considered important are in the following sequence; financial capacity, health and safety, management capability, and organization reputation. This also indicated that all the criteria are important to the public and private organizations. The findings in this research are similar to the findings of Ogunsemi and Aje (2006). Past performance, contractors' similar experiences, workmanship quality, tender sum and plant and equipment were the most important criteria for contractors' prequalification. The results also showed that the most important sub pre-qualification criteria for assessing contractors in building projects is the past performance and quality with a mean score of 4.5 with rank 23th, plant and equipment with a mean score of 4.49 with rank 19 and the political consideration, with a minimal value of 3.03, and rank 1st as the least important criteria, as perceived by professional/ staff from different organizations. The outcome of the research is also similar to the outcome of Olatunji (2008), who commented that the contractor must satisfy the client in terms of facts relating to capabilities, competencies and sound understanding of project peculiarities in terms of evidences of past performance on similar projects.

5. CONCLUSION AND RECOMMENDATIONS

5.1 CONCLUSION

Prequalifying contractors is a critical element in project planning because it can have a huge impact on the final outcomes of the project. There are differences found in the criteria on the prequalification checklist used for building construction projects by different organizations, except on some criteria that are common to all with percentage score allocation. Also some of the criteria on the checklist were considered as not important; this is evident by the lack of percentage score allocation to those criteria.

5.2 RECOMMENDATIONS

Base on the findings of the research work, the following recommendations are made. Contractor's performance depends on the prequalification criteria used by the construction professionals/ staff in the construction industry. The implementation of prequalification criteria by the construction industry as whole to be successful, these organizations should be guided by the criteria used and percentage score allocation to each criterion, for both major prequalification criteria and sub prequalification criteria. Different organizations should aspire to understand construction industry requirements, adopt and implement it for better contractors' prequalification in executing building construction.

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