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Factors Influencing the Growth of Small and Medium Quantity Surveying Firms in Nigeria

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Abstract
The construction industry is an industry where client's requirements are paramount, where efficiency and effectiveness of service delivery are important, and where new and existing competitors are targeting customers in a new and innovative ways, it is essential to develop a culture, which allow, encourage changes and enhance the growth of quantity surveying firms. Clients are becoming cost conscious about having value for money thus an increase in the level of patronage of quantity surveyors in Nigeria. Thus, the study seeks to investigate factors influencing the growth of small and medium quantity surveying firms in Nigeria. The literature review of previous work of researchers assisted in identifying variables that influence the growth of small and medium quantity surveying firms and thus come up with those that are critical to the subject of research. The specific objectives are contextual factors and firm characteristics as to how they enhance firm growth. The study is conducted in Abuja and Kaduna towns where the total number of the registered quantity surveyors account for 56% of the entire population of the registered quantity surveyors in Nigeria as documented by the Nigerian Institute of Quantity Surveyors directory of 2012. Data collection for this study was based on a survey questionnaire. A total of 152 questionnaires was sent out and administered to the group of respondents. 102 of the questionnaires were returned and useable making up 67% of response rate. Data was analysed by using regression analysis to establish findings. The findings have shown that a firm characteristic is the more important parameter in determining the growth of quantity surveying firms in Nigeria. The study concludes that firm growth is an important indicator of a thriving economy. The study recommends that quantity surveyors with growth ambitions should not only rely on competitive strategy, they should also evaluate the overall capabilities of their firms.

Keywords: Construction Industry, Firm growth, Small and Medium Enterprises

Background to the Study
The new century has brought with it several changes and hence challenges to the construction industry and the professionals who operate within it. In addition, there are also the construction industry specific problems of fragmentation and merging or blurring of professional services boundaries. According to Olatunji (2010), the construction industry is a fragmented industry which comprises large and small firms, comprising developing firms, consultancy service firms, construction firms and manufacturing firms. The industry comprises overlapping markets in terms of size, geographic location, type and projects complexity.

The construction industry in developing countries such as Malawi employs 5-10% of the direct workforce, in addition to employment in the various industries, which have linkages with construction, (Ofori, 2001). Construction industry is one of the important service sectors in SME. Construction industries are not "footloose", hence all progress that is made in improving the sustainability and performance of the construction industry, benefits the regions and countries they operate in, while at the same time, knowledge and experience can be built up internationally to strengthen the competitive position of the industry.

As of 2009, the construction sector in Netherlands consisted of almost 110,000 companies with a growth rate of 40%. The sector contributes 7% of the Gross Domestic Product (GDP) and 7% of total employment thus assuming a position of considerable importance to the Dutch economy. The same sector in Nigeria contributes about 11% of GDP and provides 4% of total employment (CBN, 2009).

Size is an important variable that affects organizational aspects. Some studies note that the size of an organization and functional area influences the effectiveness of knowledge-sharing activities in and between business functions (Connelly and Kelloway, 2003; Sveiby and Simons, 2002). Size is defined as the size of workforce (that is the number of employees), has influenced the flow of knowledge inside the organization.

Small and Medium Enterprises (SME's) are an important economic base to any country as they are a great source of employment creation (McCormick, 1998). The economic impact of SME's can be measured by their contribution to output, employment, income, investment, export and other economic indicators (Prasad, 2004). In most countries, the definition of SMEs include cluster of small and medium enterprises based on number of employees. The Central Bank of Nigeria (2007) classifies service providers in cluster enterprise in the following order. Small enterprises employs 1 49 persons, medium enterprises employs 50 99 persons and large enterprises employs 100 and above. The Quantity Surveying firms in Nigeria are no exception to this classification, thus, the researcher used this classification throughout the study. In Nigeria no quantity surveying firm has employees more than 99 persons in their employment thus, they are operating under the Small and Medium Enterprise by this classification. Thus the objective of this study is to investigate the factors influencing the growth of Small and Medium Quantity Surveying firms in Nigeria.

Objectives

Main Objective

To investigate the factors influencing the growth of small and medium Quantity Surveying firms in Nigeria.

Specific Objectives

1. To establish the influence of contextual factors on the growth of small and medium Quantity Surveying firms in Nigeria.
2. To determine the influence of firm characteristics on the growth of small and medium Quantity Surveying firms in Nigeria

Research Hypothesis

H_1: There is no relationship between contextual factors and the growth of small and medium quantity surveying firms in Nigeria.

H_2: There is no relationship between the firm characteristics and the growth of small and medium quantity surveying firms in Nigeria.

Factors Influencing Firm Growth

Contextual Factors

Contextual factors play a major role in shaping the opportunities of SMEs in developing countries. Most obviously, the overall state of the economy directly influences the availability of profitable business opportunities. Contextual factors were looked at under the following condition: business environment, value chains, inter firm competition and government policies.

Different approaches for conceptualizing environmental structure are postulated by proponents of what is termed the organization field theory. There are several non-hierarchical conceptions of organizations environment. Levine and White (1961) and Williamson (1975) offer an exchange framework, Evan (1966) postulates the concept of an 'organizational set', Warren (1967) suggests the notion of an inter-organizational field and Freeman (1984) proposes a stakeholder framework. These approaches contain no explicit assumptions about the structure of organizational environment. It is simply assumed to comprise of interdependent organizations that can influence organizational goals and resources, and public perceptions of a focal organization. Primary emphasis is placed on the goal structures and relative power distribution between interdependent organizations in the environment and a focal organization and the efficiency and effectiveness of exchanges.

Regulatory and institutional challenges of Quantity Surveyors may deter the growth of quantity surveying firms. The regulatory policy of Quantity Surveyors Registration Board of Nigeria that makes it mandatory for quantity surveying firms to be registered with them before operating makes it unfriendly for many Quantity Surveyors to open their own firms.

Firm Characteristics

Certain firm characteristics may correlate positively or negatively with SME growth tendencies. This section explores the relationship between SME growth and three widely studied firm-level factors. Frim age, formality (or informality) and access to finance. These three variables are easier to measure and thus more commonly explored in empircal studies.

While firm-level attributes and manifestations were incorporated by early theorists (e.g. Sky, Schumpeter, Davenport), attempts articulating measures of an entrepreneurial firm have been minimal. Frequently, there has been no separation of the entrepreneurial individual and entrepreneurial firm. Individual level behavior on the part of the entrepreneur affects the organization's actions, and in many cases, the relationship was virtually tautological (“Synonymous”, as stated by Covin and Slevin, 1991). Smith (1967) established a classification system for firms as being adaptive (opportunistic), or craftsman type based upon a combination of managerial motivation and the growth of the firm. Dunkelberg and Cooper's (1982) research substantially confirmed Smith's framework, and by utilizing factor analysis expands the traits of the opportunistic firm to reflect management's strong desire for independence. Subsequently,

Miner, Smith and Bracker (1992) identified an intermediate form of entrepreneurial organization, the inventor- entrepreneurial firm. These efforts, however still explicitly link the "identity" of a firm to the behaviour of the individual entrepreneur. Here again, the identity of the firm can not be separated from the individual characteristics of the entrepreneur.

Firm Growth

The term growth is used in ordinary discourse with two different conotations. It sometimes denotes merely increase in amount, for example, when one speaks of growth in output, export and sales. At other times, however, it is used in its primary meaning or implying an increase in size or improvement in quality as a result of a process of development, akin to natural biological processes in which an interacting series of internal changes leads to increase in size accompanied by changes in the characteristics of the growing object (Penrose, 1959).

The Heterogeniety of Growth.

Even if restricted to the change-in-amount view, growth remains a multi faceted phenomenon. For example, Dalmar, Davidsson and Gartner (2003) discuss heterogeneity as regards according to what specific measure the firm grows, and also as regards the appropriateness of these different measures relative to specific theories. They further treat heterogeniety in the regularity or irregularity of growth over time, and in the type of growth.

Firm growth is a multidimensional phenomenon and that different forms of growth may have different determinants and effects. Consequently, they may also need different theoretical explanations (Davidsson and Wikhend, 2000). On top of what Delmar et al (2000) discuss, growth can also take different forms in the terms of vertical integration, related or unrelated diversification, or be achieved through modes like licencing, alliances or joint ventures (Killing, 1978; Levie, 1997; Roberts& Berry, 1985).

Research Framework

The primary variable of interest of the study is the dependant variable of growth which is measured by the annual turnover and the number of employees. The independent variables that may influence the dependant variable are the contextual factors and the firm characteristics. The relationships between the dependant and independent variables are shown in figure 1.

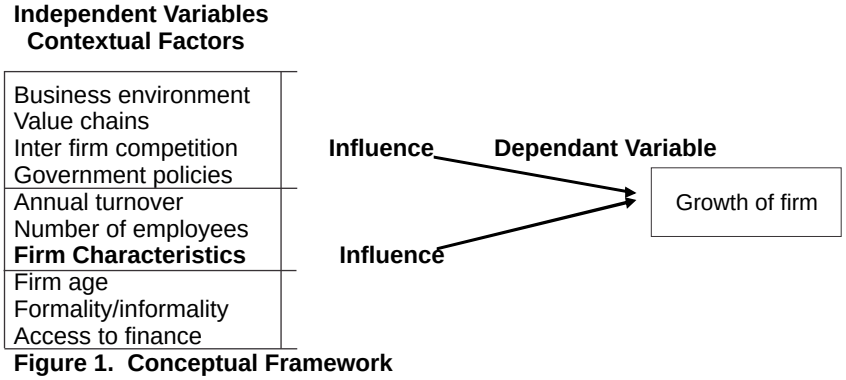

Figure 1. Conceptual Framework

Research Method

For the purpose of data collection, a survey questionnaire was conducted among registered Quantity Surveyors and registered Quantity Surveying firms as documented by the Nigerian Institute of Quantity Surveyors directory of 2012. The research questionnaire was divided into three main sections, which evaluated the respondents' background, background of the firms and the growth factors of the firms. The questionnaire was designed mainly based on a Likert's scale of five ordinal measures from one (1) to five (5) according to the level of importance. To test the content validity, the questionnaire was initially distributed to expert panels of 3, comprising of a Quantity Surveyor, statistician and Academia knowledgeable in the areas of firm growth. This was followed by a pilot survey to get an initial feedback on the content of the questionnaire. During the pilot survey, 15 respondents of registered Quantity Surveyors with registered Quantity Surveying firms were collected and the questionnaire was then amended according to their comments before the actual feedback began. In the main survey, a total number of 152 questionnaires were sent out to registered Quantity Surveyors in Abuja and Kaduna towns. After two months period, 102 (67%) of the questionnaires were returned and deemed useable. The data was analysed by using standard regression analysis to establish the findings.

However, in the context of this study, firm growth is defined in terms of increase in firm turnover and number of employees' overtime. In construction, these two indicators are highly used by researchers to measure growth of firms due to their clarity in definition in term of the size of firms and to the accessibility by researcher.

Data Analysis

Regression Model

$y = \beta o + \beta_1 X_{1+} \beta_2 X_{2+} \varepsilon$

Where y = firm growth

Bo = constant

β_1 = corresponding coefficient for contextual factors

X_1 = contextual factors

B_2 = corresponding coefficient for firm characteristics

X_2 = firm characteristics

ε = error term

α = 0.05

Assumptions

1. Coefficients must be linear in nature
2. Response error should follow a normal distribution
3. Errors should have a common distribution

The above statistical test was conducted through the use of Statistical Package for Social Science (SPSS) Version 20.

Regression Analysis

Table 1.Contribution of the factors influencing the growth of small and medium quantity surveying firms in Nigeria.

Model	Unstandardized coefficient		standardized coefficient		
	?	Standard error	Beta	t	Siq
1. Costant	-0.812	105.883		-0.008	0.994
Contextual factors	0.036	0.127	0.108	0.285	0.784
Firm characteristics	2.508	7.453	0.127	0.336	0.746

Table 2: Regression Analysis of the independent variables on dependant variable.

Model summary

Model	R	R^2	Adjusted R^2	Standard error of the estimate
1	0.153	0.623	-0.256	12.53371

a. predictors: (constant), Contextual factors, firm characteristics

Table 2 shows that the two factors investigated made a total contribution of 15.3% to the growth of small and medium Quantity Surveying firms in Nigeria.

Table 3: ANOVA table of the independent variables (factors) on growth of small and medium quantity surveying firms in Nigeria.

ANOVA[a]

Model	Sum of squares	df	Mean square		
				F	Siq
1 Regression	26.443	2	13.221	0.084	0.920[b]
Residual	1099.657	7	157.094		
Total	1126.100	9			

a. Dependant variables: Growth of Quantity Surveying firms

b. Predictors (constant), Contextual factors, Firm characteristics

Table 3: Shows that the two independent variables are significant on the dependant variable.

The table above summarizes the multiple regression results of the dependent variable (growth) and progresses with firms growth factors. The enter method was used to sum this analysis where the two variables are entered into the equation as a group. As seen in the results, the two variables significantly explained 2% of the variance in growth ($F = 0.084$, $P<0.05$, $R^2 = 0.023$, while the remaining 98% could not be explained.

The results revealed that contextual factors and firm characteristics were found to be significant in influencing growth for this study at (β 0.036 and β 2.508) respectively.

Discussion

From the analysis, a firm characteristic was found to be the utmost important factor that contributes to the growth of quantity surveying firms. This factor should be given more attention by quantity surveying firms that aim to achieve growth in their firms. These findings have shown that a firm characteristic is the more significant factor that has a positive relationship with growth of quantity surveying firms. The Quantity Surveyors Registration Board of Nigeria as a regulatory body for the registration and practice of quantity surveying in Nigeria to focus on the age a firm can commence practice requirements for registration with the board and as well provide a means for quantity surveyor to access finance for the setting up of a quantity surveying practicing firm in Nigeria.

Conclusion

Firm's growth is an important indicator of a thriving economy. This study was conducted to identify the main factors in determining the growth of the quantity surveying firms. Firm characteristics were found to be the more important factor that contributes to the growth of quantity surveying firms. The study has also successfully revealed the significant factors that influence positive growth of quantity surveying firms. Quantity surveying firms that achieve growth will subsequently go on to contribute more positively towards the development of the Nigerian economy.

Recommendations:

1. Quantity surveyors with growth ambitions should not only rely on a competitive strategy, they should also evaluate the overall capabilities of their firm so as to enjoy growth.
2. The firms can come together to form a professional entrepreneurial consortium in the construction industry so as to develop the service sector, indeed sustainability of growth of the construction industry through this development will benefit the Nigerian nation by way of increase in employment opportunities.
3. Researchers and Academicians will benefit as the study will make empirical contribution to the field of quantity surveying in general and particularly in the growth of quantity surveying firms in Nigeria.

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