



CHAPTER I

INTRODUCTION

1.1 Background

The construction industry bears the responsibility for providing the main physical investment for human settlements, such as roads, railways, harbors, houses and other buildings. Provision of these fixed assets is a prerequisite to the expansion of almost every sector of the economy. Experience has shown that, during periods of national economic growth, a construction activity grows at a faster rate than the economy as a whole. In fact, in developing economies, the basic indicators of underdevelopment are related to gross inadequacies in physical infrastructure, shelters and related amenities which result from the constraints of the construction sector. Thus, the construction industry can be said to be the backbone of national economic development.

The construction industry, one of the most important industrial sectors, plays an important role in the national economic development. In view of the strong backward linkages of the construction industry, a small productivity enhancement can make a substantial impact upon the national economy. Proper management of the industry by the government in terms of the construction contracts and of construction projects will no doubt make it more efficient and productive.

In order to develop and strengthen the national construction industry, not only the government plays an important role, but also the local and foreign contractors hold the majority of this scheme to improve and involve in overall construction projects.

Contractors are the ones that have secured the projects by bidding and contracting to directly build and control the construction of buildings and infrastructures. In managing and controlling the project work, the contractors always face some failures and problems which are related to their partners, such as project owners or clients, consultants, government agencies, labors, engineers, financial groups, material suppliers and other organizations in the whole construction industry.

It is widely accepted that a project is successful when it is finished on time, within budget, in accordance with specifications and stakeholders' satisfaction. Unfortunately, due to many reasons high project performance and project success are not commonplace in the construction industry, especially in developing countries. Therefore, professionals and scholars have been motivated to take extensive efforts to meet this challenge. As a result, several studies have been undertaken on factors affecting delays, cost overruns, quality, safety, and productivity, etc. and problems in specific types of projects.

Although the focuses are very often necessary, comprehensive studies on common problems of construction projects seem much more urgent. The reason is that a project cannot be successful if all key project performance indicators and project targets do not reach certain levels and that there are intricate interrelations among these indicators as well as the targets. Thus, practitioners must develop the capacity to foresee potential problems likely to confront their current and future projects. Identification of common problems experienced on past projects in their construction business environment is a good option. As the common Asian saying goes "a problem well defined is a problem half solved". Project parties must be proactive in managing their projects in which potential problems are fully anticipated.

1.2 Statements of the Problem

Cambodian economic development has grown dramatically a year to year during this decade after they used to have zero point in country development because of genocide during Khmer Rouge regime from 1975 to 1979 (NIS). Cambodia has had to begin developing the whole sectors from the zero point since 1979, including also the construction industry, which has been the main sector of the nation. On the long way to develop the whole construction industry all over the country, Cambodia needed lots of factors to fulfill the lack nowadays and also for the future. By the first step of survey analysis in Cambodia, it was shown that both private and public sectors still lack of some factors that they expect to implement for improving the construction industry (NIS). No study of construction industry problem has conducted yet since that period. But some organizations and contractors absolutely need these studies for their references and knowledge to improve their experience.

Cambodia is currently among countries with high gross domestic product (GDP) growth rates in recent years. For example, GDP growth hit 10.4 % in 2006, consolidating double-digit growth of the 2 previous years (ADB, 2007). Construction investment in Cambodia has been increasing to meet the needs for the socioeconomic development. Management of construction projects in Cambodia, however, has faced various problems due to many causes, uncontrollable and otherwise. Gaining insight into the problems is necessary to help professionals in Cambodia to be active in dealing with the problems and their consequences.

Cambodian construction industry is an important industry for developing the country for this year on (according to the recent publication of government). Moreover, the construction sector has been the third growth of Cambodian economy since 2006, which the garment sector was the first (reported by Ministry of Economic and Finance). As a result from the preliminary survey, a lot of infrastructures in Cambodia are needed for developing the well being of people in the nation for a regional standard. Construction in both private and government sectors has expanded since this last decade and strongly booming in recent years due to housing demands of residential people and real estate business and investment from foreign developer, such as Korean, Thai and Chinese investors.

The construction sector in Cambodia are booming a year to year during these few years and continue increasing in the future because of the foreign investment in real estate business, including the skyscrapers or high-rise buildings in the capital city and also the demand of houses for living and business. Especially the commercial buildings are the one of favorite housing style demands for Cambodian people. The government of Cambodia has adopted a policy of economic empowerment of its contractors of all disciplines in building construction and development. To this end it has put in place a number of interventions aimed at promoting and encouraging entrepreneurship in the private sector. However, the contractors in Cambodia still cannot avoid the problems in any schemes of work with their other partners for overall projects.

The contractors are the important organizations which have direct role in construction industry. By the preliminary survey also, most contractors in Cambodia, including the local and foreign firms have faced a lot of problems in their construction

project due to many causes and reasons which should have been well defined. The exploration of contractors' problems will be used as information for contractors who will come to work in Cambodia.

1.3 Goal and Objectives

The primary goal of this research is to find the contractors' problems related to the construction project participants at two different levels, the industry level and the project level. The problems were collected at all specified categories, for example owner-related, consultant-related, material-related, human resource-related, subcontractor-related, government-related and marketing-related and so forth. The study was conducted in Cambodia by interviewing some responsible professional experts and managers in the private construction firms and also in some public agencies. The main goal of this research is to compare the contractors' problems in Cambodia with the same contractors' problems from previous studies, questionnaires and interviews which were conducted in Thailand. The comparison of the contractors' problems occurring in Cambodia with Thailand was made to find the similarities and differences which are classified by the problem categories.

The specific objectives of this research can be expressed as follows:

- To explore the existing construction industry in Cambodia.
- To study the problems of contractors occurring recently in Cambodia.
- To compare the contractors' problems in Cambodia and the contractors' problems in Thailand by finding the problem similarities and differences.

1.4 Scope of the Research

The scope of this research covers the development and the current situation, regarding the Cambodian Construction Industry and the main problems occurring in the construction contractors working in Cambodia, including local and foreign firms and their solutions. The expected outcome is a guideline to facilitate the contractors to solve their problems with the appropriate solutions in order to improve the construction industry in Cambodia.

The problems of construction firms in Cambodia have separately associated with other organizations including clients or owners, consultants, subcontractors material suppliers, labors, engineers, financial institutes, government agencies, marketing, and developers.

1.5 Research Methodologies

The remainder of the study proceeds with a review of related literature, an overview of the construction industry in general and the prevailing circumstances in Cambodia in particular. A discussion and report of government intervention in contractor assistance schemes is highlighted and finally the categorization of contractor in Cambodia is presented. The study of construction industry and contractors problems in other developing countries is needed to be the references to complete in Chapter 2. Moreover, the contractors' problems in Thailand are importantly needed prior to make better and suitable comparisons for getting the contractors' problems discussion in Cambodia which is done in Chapter 5.

The research methodology for each sub problem is laid out as well as the data analysis by its comparison between Cambodia and Thailand. The contractors' problems are then importantly conducted in relation to the findings and the research methodology and the data and its interpretation are then reviewed. Finally the conclusions and recommendations are presented to the reader at the end of the report in Chapter 6.

1. Review the construction industry in Cambodia by surveying and collecting the secondary data and information, and other previous studies of contractors' problem in developing countries and contractors' problems in Thailand.
2. Survey and collect data involved the contractors' problems by interview some experts in the contractors working in Cambodia.
3. The contractors' problems were classified by its categories at the different levels, industry level and project level. The categories of problems can be divided by the organizations involve in the construction projects such as the owners, consultants, subcontractors, labors, engineers, material suppliers, marketing and the government agencies.

4. Find the similarity and difference among the contractors' problems between Cambodia and Thailand by:
 - Reviewing and collecting information regarding the contractors' problems and its causes in Cambodia and Thailand by using the questionnaires and interviews.
 - Analyzing the data by finding the similarities and differences among the problems occurring in Cambodia and Thailand by its comparisons category by category at these 2 different levels.
 - Discussing of data analysis and results.
 - Concluding the results.
5. Recommend the study by using information from the interviews in Cambodia and Thailand, and also from the relevant previous studies in developing countries.

1.6 Benefits of the Study

The benefits include the establishment of a system and guideline that will improve the performance of contractors. This would be through a scheme that is more effective to the advantage of all construction contractors, academic sectors, developers in Cambodia who include, among others, government in Cambodia at large. This would result in a more thriving and efficient industry that would support the government in its endeavor to boost the construction industry activities, economic activities and job creation.

The result of this study could be used as a guideline for the contractors working in Cambodia in order to help them avoid the occurred problems in this research and make the improvement of construction productivity in their organizations. As the common Asian proverb saying goes "a problem well defined is a problem half solved". This research will contribute the contractors be able to see which problems are the most critical and the differences of the problems between Cambodia and Thailand. As a result they would find the solutions to solve those problems from this research which they think it's most critical and affective for their project in order to maximize the benefit out of their construction firms.