



# Problems Facing Local Engineering Companies in Nigeria



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## Abstract

The engineering sector in any nation has a prior role to play in the attainment of nations' goals and objectives. These objectives and goals ranges from economic, social and political domain. This makes it quite relevant because it also cut across all domain of human endeavour. Hence engineering companies plays similar roles. In recent time in the developing countries of the world such as Nigeria, the objective and goals has not been achieved due to bed eviling problems facing local engineering companies. It is in consonance with this fact that, this paper intends to investigate problems facing local engineering companies-low patronage and untimely payment of benefits, high tax burden, lack adequate equipments/machines, environmental and cultural induced challenges, political factor, and lack of competencies in service delivery and way-forward-collaboration with in the union, review of state of industry, awareness programmes, review of contractual framework. It was concluded that if the possible way-forward as enunciated by the researcher is implemented the problems facing local engineering companies will be surmounted.

## Introduction

In Nigeria the engineering subsector comprises of a number of companies-local or foreign. Local engineering companies are mostly owned and managed by indigenes; hence they can be called indigenous companies. The local engineering companies in any nation are very important due to the role they tends to play in terms of job creation, contribution to national income, infrastructural development, community cooperation, and increasing employment opportunities. Local engineering companies in Nigeria are often task with responsibility of construction, building, manufacturing, mining, and painting among others. Their role over the years has expanded due to globalisation. In spite of these numerous role performed by them, they are faced with a number of ongoing challenges.

## Problems Facing Local Engineering Companies in Nigeria

The following are besetting problems facing local engineering companies in Nigeria.

### Low patronage and untimely payment of benefits

Every organisation always anticipates for his services/goods to be patronized in other for it copes with cost of running its daily affairs and similarly for his contractual benefits to be paid on time. Timely payment of accrued benefit is a motivating factor that helps to boost an organisation's productivity so as for it to effectively and efficiently carry out certain expected or professional duties. In Nigeria, low patronage and untimely payment of outstanding bene

fits is often an impending factor that has over the years faced local engineering companies. In the findings of [1,2] revealed that 96% of the Nigerian Construction Industry is still dominated by foreign contractors on the grounds that indigenous contractors cannot be entrusted with complex project.

This is often the case of low patronage of local engineering companies. The simply analogy for untimely payment of benefits is due to the fact that, in the cause of the contractual negotiation between local companies and clients/principal, these local companies are part a quarter sum the total cost of carrying out a given project, and after completion of the said project the remaining balance is expected to be paid. But reverse has always been the case were these companies are not paid their estimate benefit after completion of the job/project. The light of low patronage and untimely nature is payment over the years has resulted in non-completion, extended duration in the anticipated time frame for completion of projects; lack of motivation among local engineering companies. Similarly [2,3] in the early seventies indigenous construction professionals enjoyed some patronage from the Government, but presently, the Nigerian Government has developed so much fondness and huge patronage for foreign companies thereby leaving their own contractors starved of work.

### High tax burden

Tax is an official levy expected to be paid by an individual, an organisation or establishment to a constituted authority, which

will facilitate the constituted authority in carrying out certain mandates. Tax is an essential source of revenue to the government of any nation of the world, be it in developed, developing, and less-developed nation. In any nation of the world, government tax every company within its' geographical territory a set fixed of money. In Nigeria, direct and indirect taxes are levied on companies. In Nigeria, most local companies especially the engineering ones do not often comply as at when due to low level of generated income could not cater for the high level of tax raise by government as tax. This overtime has lead to mischievous activities, unethical, corruption, unprofessionalism among different engineering companies and government ministries.

Some of these mischievous activities-falsification of tax receipt by most companies, falsification of tax receipt by government personnel's, deliberating postponement of tax burden with an intention of not paying the levy; unethical/corruption practices-local engineering companies sorting government functionaries, unmerited gratification to government agencies by a company representative. The light of the forgoing has continued without a deliberate government effort to checkmate the processes of tax collection, in terms of revisiting the tax system or reviewing taxes procedure. Irrespective of the tax burden, foreign engineering companies' taxes are often paid as at when due compare to these local ones. This high taxation from government has dwindle most engineering companies in their operational effectiveness from the financial aspect and to a large extend in discharge of their professional job by local engineers/staffs of these companies.

### Lack adequate equipments/machines

Adequate equipments/machines in any organisational or establishment be it government owned or privately owned setup is a major indicator of the level of anticipated performance. When necessary equipments are provided, workers in a given organisation or establishment are motivated to carry out their respective duties effectively and efficiently so as to actualize a set goal. In other words, the level of machines/equipments owned by an organisation helps in increasing the level of aggregate productivity of the organisation concern. Local engineering companies in Nigeria are over the years faced with lack of sufficient/adequate equipments/machine. These machines/equipments includes bulldozer, excavators, drillers, bench grinder, milling machine, bench vices, welding machine, land surveying machine, drafting machine, safety equipments which are highly needed for increased level of job delivery, project accomplishment and increase aggregate performance. In light of this, [4] revealed that foreign construction firms dominate major projects in most developing countries as a result of deficiencies in indigenous construction capacity.

Due to lack of adequate equipments/machines, engineers/workers in their respective companies find it difficult to effectively handle a given project within the shortest time frame as anticipated in their contractual agreement with owner(s) of a given project. In same similitude, [5] observed that indigenous construction companies in the African continent do not represent a strong source of competition and are thought to lack financial and technical ca-

capacity. Similarly, the effect of lack of equipments/machines might be felt in terms of inability of these local companies in Nigeria to efficiently and effectively carry out a specific project/work in the society that is up to standard. In some other case, lack of sufficient equipments often makes local engineering companies to form a merger for a particular contract they are handling. Overtime, this prevalent situation has make private individuals, government, non-governmental organisation to patronize the foreign engineering companies' in spite of the high financial implication attached to those foreign companies.

### Environmental and cultural induced challenges

Every country of the world has varied environmental and cultural induced challenges such as seasonal variation, soil typography differential, norms, beliefs and climate variation. This to a large extent influences the social, political, emotional life of peoples at any point in time. In the engineering sector, environmental induced challenges often to a large extent determines the operation purgative of a particular company/engineer-the type of work to be carried out in a day, the type of personnel and equipments to use in a given day. In Nigeria like any other developing country, environmental and cultural induced challenges are very inimical to local engineering companies. These environmental/cultural challenges can either be internal (within an organisation) or external (within the society/nation). Local engineering companies are affected by these environmental/cultural challenges that vary from one geographical location to another in a particular country (external). It has been found that every organization has a culture which is determined by its history, size, corporate goals and objectives, technology of production, market, and operating environment-(internal) [6]. In construction, where several organisations temporarily interact on each project, cultural issues are constantly to the fore [7]. The ability to manage cultural issues, especially in multi-cultural situations as are encountered on large construction projects, is a determinant of project and corporate success [8]. Over the years, companies in Nigeria have stopped some the project they embarked on due to environment and multi-cultural diversion.

For instance during the raining seasons local engineering companies tend to lay-off their workers in other to be at break-even point (no profit or loss), so as to cover the cost of maintaining the company's day-to-day activities; in the preceding year/ period they are expected to employ new workers, this often is highly cost effective due to financial implication involves in the processes of employing new works. Additionally, there are cases of the newly employed staffs not able to perform as anticipated by their employers. In light of the forgoing [8] found that construction industry lags behind other sectors in its response to the problems of the environment. In the developing countries, this issue receives even less attention although it is of critical importance [6].

### Political factor

Political factor is a vast influential factor that determines the success of a particular organisation or establishment owned and manned by private individual. In developing countries of the world,

political ideology/partisan politics exert a greater level of influence on the business activities in a given nation. This factor often determines the economic system to be operational in the nation, level of taxation on private individuals and industries, level of committed to local industries (companies), level of government partnership with companies, and developmental allocations among others. In developing countries such as Nigeria, politics is often tagged as the life-wire to social, industrial, cultural, religious life of people. This factor overtime, has make local engineering companies to shut-down, while others have merge with other companies so as not to be extinct from engineering services.

This is due to the fact that, politics has over time detect which of these local companies is to be awarded contract to; terms of payment (interval of payment); level of expect allotment to political negotiator; and favourism on contract due to political affiliation among others. Political factor have induce the tenets of god fatherism and mumism in the engineering sector in recent time in other for these companies to get a contract/work. Similarly, political factor in Nigeria has made government parastals, ministries at the federal, state and local level seems not to partners with some of these local companies in terms of awarding contracts to them, and similarly providing the needed atmosphere for them to strive so as to cope with operational cost, this myopic practices often dissuade local companies in contributing their quota to national development and similarly been able to withstand the competition of foreign companies.

### Lack of competencies in service delivery

A competent organisation or establishment are often more reliable in service delivery. In other words, competent organisations or establishment are well predispose in accomplishing a given task or project they are handling. In Nigeria, most local engineering companies do not possess the needed competencies that will enable them to effectively and efficiently discharge a particular job or project. This is depicted in the low level of completed construction, maintenance, building projects handled by them. This is as a result of materials often use, lack of equipments, and lack of skilled engineers in such companies among others. Overtime, this scenario has raise public concern in Nigeria on the need for improved service delivery has lead to a craving need for awarding of contract to foreign companies because of the desired outcome of completed jobs. In light of this [1,2,9,10] observed that indigenious contractors (companies) have not had a fair share of major construction activities in the country, as they are often awarded to their foreign counterparts whom are considered more technically and managerially more superior and efficient in funds acquisition and project execution.

### Way-forward for Local Engineering Companies in Nigeria

The following are some of the ways in which local engineering companies in Nigeria can surmount the on-going problems facing them and contribute to national development.

#### Collaboration with in the union

Collaboration is an avenue for information/knowledge/skill

sharing among individuals or persons in a given establishment, organisation or profession. Collaboration is very vital given the pace of globalisation in all facets of human endeavour. Collaboration should be open among engineering companies whether among local or foreign engineering companies in these developing countries. In Nigeria, local engineering companies should revitalize/strengthen the union which controls and regulates their affairs, this revitalizing. The Council for the Regulation of Engineering in Nigeria (COREN) and the Nigeria Society of Engineers (NSE). This will help in raising the needs and some of its problems before the Nigeria government so as to assist as at when such needs arise. Similarly, this will assist these local engineering companies in partnering among themselves for a large contract without internal problems. Additionally, this unionism will help in [6] working on the environmental implications of construction activity in developing countries.

#### Review of state of industry

A review of stat of industry is simply an avenue of restructuring the operational structure of companies within a given nation. This is a policy approach in remedying problems facing a numbers of companies. The Nigeria government should review the state of industry, with the aim of raising the level of productivity of local engineering companies. In correlation, [11] opined that agency should formulate long-term plans for developing the industry. The review of state of industry will takes into consideration granting of tax holiday, level of support, enhancing operation framework and patronage issue. This review of stat of industry will assist engineering companies to cope with the ever changing nature of engineering sector so as to and sustenance it in the long-run. The impact of this process will result in increase productivity and meaningful contribution to national development which is one of the ultimate goals of a company to a nation.

#### Awareness programmes

Awareness programme should trigged by employers of labour in these local engineering companies in Nigeria. This will help to raise the knowledge of their employees. Awareness among workers in local engineering companies will help workers in effective and efficient discharge of their duties, which will in the long-run pave way for competence project(s) as compare to that of foreign engineering companies. From the managerial perspective, it will help worker in [12] resources allocation to the tasks outlined, and effective utilization.

#### Review of contractual framework

Local engineering companies should review their contractual framework/agreement with their principals or clients. Contractual agreement pertaining to the time of payment of accrued benefits should be renegotiated so as to give room for these local companies in developing countries to utilize the money early to cover the cost of running their affairs. This help to ensure that local engineering companies cater for payment of their workers, maintenance cost, repayment of worn-out assets/depreciating values of assets, cost of fitting among others. Additionally, cases of shut-down of local engineering companies will be reduced.

## Conclusion

Contribution local engineering companies in any nation of the world cannot be overemphasized, due to its contribution to national income and less financial cost of service rendering. In Nigeria Overtime they are engulfed with some forgoing problems. These besetting problems-low patronage and untimely payment of benefits; high tax burden; lack adequate equipments/machines; environmental and cultural induced challenges; political factor; lack of competencies in service delivery-facing local engineering companies in Nigeria can be surmounted, if and only if proactive attention is given to way-forward as recommended by the researcher.

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