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**SCHOOL OF GRADUATE STUDIES  
ADDIS ABABA UNIVERSITY**

**ANALYSIS OF THE ROLE OF STAKEHOLDERS IN THE  
ETHIOPIAN CONSTRUCTION INDUSTRY**

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**Analysis of the Role of Stakeholders in the Ethiopian Construction  
Industry**

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This is to certify that the thesis prepared by Samuel Melesse Assefa entitled “*Analysis of the Role of Stakeholders in the Ethiopian Construction Industry*”, which is submitted in partial fulfillment of the requirements for the Degree of Masters in Public Management and Policy (MPMP), complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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I, the undersigned, declare that this thesis is my original work and has not been presented for a degree in any other university and that all sources of materials used for the thesis have been duly acknowledged.

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## ***Abstract***

*The construction industry is one of the most dynamic, uncertain and challenging sectors. Likewise the construction industry in Ethiopia is unstable economic sector and it faces a number of sectorial problems. The industry incorporates a wide range of stakeholders; stakeholder usually has vested interests in the industry. Hence, this study aimed at analyzing the role of key stakeholders in the construction industry of Ethiopia. The thesis was carried out as a qualitative study, the data collected from key stakeholders who are actively involved in the construction industry. Key informant interviews and document review of policy/regulatory documents were the main methods employed. The key stakeholders were at the centre of the analysis. Findings show that key stakeholders participation in the construction industry is fragmented. Public and private institution which actively involved in the construction industry have not shared plan. Partnerships and collaboration platforms are less developed in the industry. At the recommendations, building the capacity of key stakeholders, create conducive environment to make them competitive in the industry, enhance the regulatory framework to strengthen their contributions, mobilization of adequate financial resources and effective communication is found to be very vital for getting the support, commitment and increased involvement of key stakeholders in the Ethiopian construction industry.*

***Key words: Construction Industry, Key Stakeholders, Stakeholder’s Role, Stakeholders Involvement***

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## **List of Abbreviations/Acronyms**

CIC	Construction Industry Council
CoC	Center of Competency
CPD	Continuity Professional Development
CSR	Corporate Social Responsibility
ECIDP	Ethiopian Construction Industry Development Policy
EPRDF	Ethiopian People’s Revolutionary Democratic Front
FDRE	Federal Democratic Republic of Ethiopia
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
IMF	International Monetary Fund
MoC	Ministry of Construction
MoFEC	Ministry of Finance and Economic Cooperation
MoUDHC	Ministry of Urban Development Housing & Construction
SMSCC	Small and Medium Scale Construction Company
TGE	Transitional Government of Ethiopia
UNCTAD	United Nation Conference on Trade and Development
UNIDO	United Nation Industries Development Organization

## **Chapter One**

### **1. Introduction**

#### **1.1. Background and Justification of the Study**

According to United Nation International Standards Industrial Classification (UNISIC, 1996), the construction industry is one of the economy sectors that transform various resources into constructed physical economic and social infrastructure necessary for socio-economic development. It embraces the process by which the physical infrastructure are planned, designed, procured, constructed or produced, altered, repaired, maintained, and demolished.

Construction industry makes significant contributions to the socio-economic development of countries. The industry makes its direct contributions to economic growth by providing the buildings which are used in the production of all goods in the economy and it has many complex linkages to the other sectors of the economy, and can stimulate activities in these sectors (Ofori, 2002). The construction industry constitutes a large part of the economy it contributes between 5 and 10 percent of gross domestic product (GDP) in all countries employs up to 10 percent of the working population and responsible for about half of the gross fixed capital formation (Lopes, 2012). The construction industry make employment opportunity for huge amount of labor force in countries at all levels and affords income earning opportunities. Even though, the construction industry contributes the fastest economy development, problems are tending to challenge the sector and thus make the domestic construction industry inefficient.

The Ethiopian construction industry is the major sector where public and private sectors are investing huge amount of budget. It has important contributions to the economy growth through poverty reduction and increasing employment opportunities. The sector has registered a remarkable growth, over the last 11 years there has been increased investment on the development and expansion of various infrastructure projects (Construction Industry Development Policy, 2014).

Various stakeholders involved in the construction industry it includes companies, firms and individuals working as consultants, contractors and sub-contractors, material and component producers and suppliers, plant and equipment suppliers, builders, clients, financiers. And also the government is involved as purchaser (client), financier, regulator and operator. According to Ministry of Construction Report (2017), inefficiency and poor performance has detrimental effects for the development of domestic construction industry. Thus, the industry facing inadequate participation in the opportunities, poor services and products quality and inadequate availability of resource is one of the major problems facing the local construction industry. The problem is further compounded by poor capital base of the local contractors and consultants, lack of credit facilities in the market and low level of investments through the sector.

The stakeholders nature in the domestic construction industry is public and private type, the fragmented and inadequate relationship between key actors are the major cause of inefficiency in the industry. On the other hand, based on Construction Industry Development Policy (CIDP, 2014), in order to avoid the facing limitation and strength to the development of the construction industry requires many years of sustained effort and the right operating environment. Furthermore, achieve meaningful results within appropriate timeframe; there is need for commitment, cooperation and collaboration among stakeholders in the construction industry. As one part of the stakeholder and regulatory body, the government cooperates with the private sector to promote the application of best practice, productivity, quality and delivery arrangements with in construction industry. There have been a number of government led initiatives geared towards fostering the local construction industry. In October 2016, the Ministry of Construction was inaugurated and assigned by the government as the policy maker and regulatory body for the construction industry. Therefore the Ministry introduces and promotes cooperation among stakeholders as it has been inaugurated. Based on this, the thesis was analyzed the role of key stakeholders in the construction industry.

## **1.2. Statement of the Problem**

The construction industry is a fundamental economic activity; it has a major role achieving social and economic development of any country. The industry plays an important role in the national economy (Alagidedey and Mensah, 2016). Most of the growth in the world economy has occurred; some of this growth is linked to the effect of investment and expansion in construction (IMF, 2013). Likewise data from the United Nation Conference on Trade and Development (UNCTAD, 2011), show that the construction sector has grown by about 5% in sub-Saharan Africa. According to Ministry of Finance and Economic Cooperation (MoFEC, 2016), the Ethiopia construction industry is booming and continuing to have the average GDP growth of 7.5 percent over the past 8 years has been achieved. In this economic improvement the construction industry is serving as the pillar and played a great role.

The construction industry development obliges government commitment, sustained effort and the right operating environment (Sharma, 2010). The fast growth of the construction industry increased in the number of professionals, companies, firms and individuals working as consultants, main contractors and sub-contractors, material and component producers, plant and equipment suppliers, builders, merchants and any other stakeholders joining the industry. The government is involved in the construction industry as purchaser (client), financier, regulator and operator. Local firms and professionals fully involved in the process (Olomolaiye, 2010). The cooperation of stakeholders in the construction industry creating an enabling environment for the development of a vibrant, efficient and sustainable local construction industry that meets the demand for its services to support sustainable economic and social development (ECIDP, 2014). Developing countries have lower economic, technological, education, inadequate infrastructure development, high population growth and low per capita income (World Bank, 2012). Based on the general situation, the construction industry everywhere faces problems and challenges, among those resource shortages, institutional weaknesses and inability to deal with the key issues. In many developing countries, the construction industry is neither organized nor controlled

(Oyedele, 2013). According to Ofori (2000), the industry is fragmented with several small and medium enterprise supply chain firms.

According to Techale and Mahelet (2012), the Ethiopian construction industry is a sector that opens the door for the growth of many additional industries. It is a sector that entertains large number of micro-enterprises the majority of them operates in informal way. The formal construction sector comprises indigenous and foreign construction companies. The Ethiopian construction industry was not considered as an independent sector of creation wealth in the national economy. This, in turn, has led to the undesirable features of the current construction sector.

Based on the ECIDP (2014), weaknesses, problems and constraints hampering the performance and development of the construction industry include low capacity and capability of the local contractors and consultants, weak resource base and inadequate experience, inefficient and non-transparent procurement systems, corruption and financial mismanagement, inefficient credit facilities, inefficient hire and professional development, poor working environment, low standards of safety and occupational hazards on construction sites, weak and non-facilitative policies and regulatory framework, low productivity, low quality and low technological base.

However the rationale of this thesis comes from the new and actual facts. Most studies in the Ethiopian construction industry conducted in the areas of Construction Projects Delay (Zinabu, 2016), claims in construction industry (Abdissa, 2003), delay, management and control of projects (Hailemeskel, 2003), the problem of construction conditions for public works (Kasiem, 2008) and the like. Hence, the current study aimed to identify and review the role of key stakeholders and its influence on the problem minimization that face in the domestic construction industry in Ethiopia.

### **1.3. Objective of the Study**

#### **1.3.1. General Objective**

The overall objective of the study is assessing the role of key stakeholders in the construction industry.

#### **1.3.2. Specific Objective**

- ❖ Identify key stakeholders in the construction industry.
- ❖ Identify the role of key stakeholders in the construction industry.
- ❖ Identify the benefits that the construction industry gains through the participation of key stakeholders.
- ❖ Identify challenges for stakeholder's involvement in the construction industry.
- ❖ Identify the ways appropriate for key stakeholder's active involvement in the domestic construction industry.

### **1.4. Research Questions**

The research was guided by the following research questions:

1. Who are key stakeholders in the Ethiopian construction industry?
2. What are the roles of key stakeholders in the construction industry?
3. What are the construction industry gains from the involvement of key stakeholders?
4. What are the challenges that affect key stakeholder's involvement in the industry?
5. What are the ways appropriate for key stakeholder's active involvement in the domestic construction industry?

### **1.5. Scope of the Study**

Compared to other sectors in the country, the construction industry is a sector which joins wide and variety of stakeholders. Hence, analyzing the role of stakeholders in the industry is found to be suitable for this study. Thought stakeholders issue in the construction

industry is a broad concept that covers a wide array of sectors, individuals and institutions, this study is delimited to key stakeholders that include construction professionals, contractors and consultants, construction associations, financial institutions, and raw materials and construction equipments suppliers. Therefore, this thesis focused on analyzing the current practice of key stakeholders role in the Ethiopian construction industry only and the conclusions are not applicable to other stakeholders involve in the construction industry in general.

### **1.6. Significance of the Study**

Since1992, the new economic policy issued after the downfall of commends economy made clear intention to transform the stagnant command economy into a functioning market-based economy. With the free market economy, the sector has been affluent in the domestic economy with increasing role of actors such as professionals, contractors, consultants, construction equipment supplier, financial institutions, raw material manufacturers and suppliers. Given the continuing growth of stakeholders in the industry, adequate savvy and management of key stakeholders' relationship is essential to attract investment, build stakeholders' confidence, ensure accountability and transparency, protect stakeholders and their rights, fight corruption, among others. To this end, this study has, among others, the following contributions:

The study increase understanding of how key stakeholders' involvement look like in the construction industry. It serve to deepen the understanding of who the key stakeholders are and their involvement in the industry for policy makers, regulatory body, contractors, consultants, financial intuitions, raw material suppliers, construction equipment suppliers and other stakeholders.

The findings also help to plug gaps in the key stakeholder's involvement in the construction industry. This study also helps in identifying the gaps in the current practices and forward

recommendations for improving stakeholder's involvement to make the industry sustainable.

The study also examines the existing participation of key stakeholder's in the construction industry in light of recommendations that would improve the current pattern of relationships and engagements. Government at large and policy makers in particulars obtain basics of existing stakeholders' engagement in the industry so that new platforms for bolster the role of stakeholders can be initiated. Among others, it contributes a lot to establish effective platform that can bring all stakeholders together so that solutions can be attained for common challenges.

This study is a pioneering research that focuses on the stakeholders' perspective in Ethiopian construction industry. It can, therefore, establish the necessary groundwork and serve as benchmark for similar researches in the future. Researchers from different professional background can use the findings of this study for further studies ahead that would solve intra and inter-stakeholder problems in different ways.

In general the study has much significant for public sector institutions which engage in the construction industry, policy makers, and private actors as well as academia. The findings improve awareness about stakeholder's role and the challenges of the involvement of key stakeholders in the construction industry.

### **1.7. Limitation of the Study**

The study was conducted by using key informant interviews and document review. Meeting key informants for interview was on top of the challenges during the data collection which took long time. The researcher was also employed full time while working with this research and shortage of time had created a burden. Furthermore the informant selection and the perceptual agreement problem negatively treated this study.

## 1.8. Definition of Key Terms

**Construction Industry:** is an economic activity directed to the creation, renovation, repair or extension of fixed assets in the form of buildings, land improvements of an engineering nature, and other such engineering constructions as roads, bridges, dams, etc. The industry consists of a group of establishments engaged in one or more of the following activities of: (1) Residential buildings in urban and rural areas, (2) Nonresidential buildings, i.e. factory buildings, ware houses, office buildings, garages, hotels, schools, hospitals, clinics, etc., (3) Other construction works, like roads, dams, dikes, athletic fields, electricity transmission lines, telephone & telegraph lines, etc.

**Practicing professionals:** are technical professionals with educational level of Degree or above, in engineering related technical courses. Practicing professions are the highest occupation that requires a prolonged period of education and training. They are often overseen by professional bodies at MoC and who pass all professional levels start from minimal based on directives for the registration of construction professionals and contractors No.19 (2013) in MoC.

**Stakeholders Engagement:** is the process used by an organization to engage relevant stakeholders for a purpose to achieve accepted outcomes.

**Stakeholders Role:** stakeholders whose needs, requirements and expectations must be considered as a necessary part of any organization's planning and management. The role of stakeholders is affected by an interest, rights (legal or moral), ownership and contribution in the form of knowledge or support.

## **1.9. Organization of the Paper**

This thesis organized into Five Chapters. The First Chapter deals with introductory part which consists of background of the study, statement of the problem, objectives of the study, scope of the study, significance of the study, limitations of the study and definition of key terms.

The Second Chapter deals with major stakeholder theories including meaning, type and benefits, of stakeholders. The Chapter gives emphasis to the stakeholder's involvement, engagement, its benefits and also management and level of stakeholder's engagement

Chapter Three discusses the research methodology specifically, research design, data type, data sources, data collection method, method of data analysis and ethical considerations

Chapter Four also presents discussion and analysis. In this chapter, the interview and document review results are triangulated and integrated into the discussion of the findings.

Finally, Chapter Five presents summary of findings, conclusion and recommendations are present.

## **Chapter Two**

### **2. Literature Review**

#### **2.1. Introduction**

The effective participation of key stakeholders in the construction industry has been of interest to Ethiopian government since ECIDP amendment (2014), and therefore has become the main concern of the Ministry of Construction.

The construction industry is one of the most dynamic, uncertain and challenging sectors. There is much waste and it encounters problems caused by bigoted control (Mills, A. 2001). Likewise the Ethiopian construction industry is one of the most diverse and unstable sectors and it faces wide fluctuating of the raw materials supply, shortage of the available finances, uncertain economic conditions and a scarce diverse range of construction professionals (ECIDP, 2014). Considering the size and importance of the key stakeholders' involvement in the construction industry, the literature review assed as a lens through the role of key stakeholders in construction industry can be measured. The role of stakeholder should be taken as a core element hence the industry is more likely to be successful. This chapter builds on literature review and the theoretical and that provides insight to answer the research questions and meet the objectives of the study.

#### **2.2. Meaning of Stakeholder**

The stakeholders are defined as any individual, group or organization having stakes in a project, or who can affect or be affected by a project that the focal organization implements in the fulfillment of its objectives (Freeman, 1984; Olander, 2007). A broad definition for stakeholder was also given by R. Phillips (2003) who defined stakeholders as parties contributing to and/or being affected by a decision making process. These definitions reflect that anyone with any form of linkage with an organization or project is stakeholder since there is a reciprocal interest. The stakeholder's domain, therefore, encompasses internal and

external, owners and investors, sellers and contractors, government agencies and media outlets, individual citizens and society at large.

### **2.3. Stakes and Stakeholders**

No single definition of a stakeholder has been universally accepted. A stakeholder can be an individual, a group or an organization. There are two categories of definitions of the concept of stakeholder: narrow definitions and broad definitions.

There are many narrow definitions of the term stakeholder in the literature (Clarkson, 1994, 1995; Madsen and Ulhoi, 2001; Cleland and Ireland, 2002; Bourne and Walker, 2005; Olander, 2007). Stakeholders need to have some kinds of stake, right or ownership in the organization (Post and Je, 2002); bear some risks in the investment of capital, human resources or something of value in a firm (Clarkson, 1994) or have a stake in the project outcomes (Olander, 2007). Such a view is useful for identifying those parties that have direct economic relationships with the organization. However, it excludes those parties that do not have ownership or a stake in the organization but are able to exert influence on the implementation of a project using non-economic methods.

The term stakeholder can also be defined broadly to include those who only have an interest in a particular issue (Savage et al., 1991; PMI, 1996, 2004; Scheffran, 2006); those who actually affect or are affected by the achievement of organizational objectives (Freeman, 1984); those who have a vested interest in the success of a project and the environment within which the project operates (Olander, 2007) or those who have a contractual, financial or ethical interest in the decisions and actions of the organization (Rotarius and Liberman, 2000). However, such definitions are open to the criticism that there is little value in the stakeholder concept if everyone is a stakeholder (Mitchell et al., 1997; Sternberg, 1997; Phillips, 2003).

A stake is an interest or a share in an undertaking while a stakeholder is an individual with a stake (Weiss, 2006). According to Moloney (2006) stakeholders are individuals or groups

that benefit from an organization. Further, stakeholders can be harmed or have their rights affected by an organization. Fundamentally, stakeholders affect and are affected by an organization and its activities. Stakeholders can affect an organization's functioning, goals, development and even survival. In effect, stakeholders have power to be either a threat or a benefit to an organization (Gibson, 2000).

The organization interacts with several stakeholders; organizations often depend on stakeholders for resources, services, information, etc. The argument is that stakeholders have claims, rights and expectations that ought to be honored and not taken lightly (Carroll and Buchholtz, 2006).

## **2.4. Stakeholder Theory**

Theories of stakeholders have been constructed in terms of the relationship between an organization and its stakeholders. Stakeholder theory has developed views of the importance of stakeholders and how stakeholder management or engagement contributes to the success of organizational activities. Organizational wealth can be created (or destroyed) through relationships with its stakeholders. In developing processes and practices for stakeholder management and engagement, successful organizations understand how far key stakeholders will go to achieve, promote, or protect their stake. Just as important to organization success is the understanding of what will need to be done to ensure the best relationships between the organization, its activities and the contribution needed from stakeholders for those activities to be successful (Bourne, 2009).

Stakeholder management is about creating the most positive environment in which to develop a project (Vogwell, 2002). A stakeholder management approach takes many factors into account, for example moral, political, technological and economic interests (Weiss, 2006). Three approaches are useful for dealing with stakeholders (Goodpaster, 1991):

1. Strategic approach – This approach allots shareholders' profit a greater priority above the interests of other stakeholders.

2. Multi fiduciary approach – This assumes a fiduciary responsibility to stakeholders, allotting those equal stakes with shareholders.
3. Stakeholder synthesis approach – This approach assumes a moral but non-obligatory responsibility to stakeholders, e.g. dealing with them ethically.

To an organization, the key considerations in practical stakeholder management should include the following (Carroll and Buchholtz, 2006):

1. Who are our stakeholders?
2. What are their stakes?
3. What opportunities do they present?
4. What challenges or threats do they present?
5. What responsibilities do we have towards our stakeholders?
6. What strategies or actions should we use to engage our stakeholders?

An organizational approach could be pitched at two levels: macro and micro. At the macro level will be the broad guidelines while the micro level will concern operational tactics. Chinyio and Akintoye (2008) discussed some practical approaches in this regard.

Freeman (1984) explicitly linked stakeholder interests to corporate strategy (Goodpaster, 1991; Freeman, 1994; Logsdon and Wood, 2000). A major purpose of stakeholder theory is to help corporate managers understand their stakeholder environments and manage them more effectively. A larger purpose is to help corporate managers improve the value of the outcomes of their actions while minimizing any harm to stakeholders. In essence, stakeholder theory concerns relationships between corporations and their stakeholders (Logsdon and Wood, 2000).

## **2.5. Who are Stakeholders?**

Stakeholders are defined as ‘individuals or groups who will be impacted by, or can influence the success or failure of an organization’s activities (Bourne, 2009). Stakeholders may be groups or individuals who supply critical resources, or place something of value at

risk through their investment of funds, career or time in pursuit of the organization's business strategies or goals. Alternatively, stakeholders may be groups or individuals opposed to the organization or some aspect of its activities.

Stakeholders are those who have rights or interests in a system. Stakeholders are any group or individual who can affect, or is affected by the achievement of the organization's purpose. This definition is too broad for some as it includes interested parties as well as affected parties. Some prefer to restrict the term to those who have a 'stake', claim or vested interest those who provide something of importance to the organization, and expect something in return (Mayers, 2005).

#### Stakeholder Analysis:

- Draws out the interests of stakeholders in relation to the project's objectives – stakeholders who will be directly affected by, or who could directly affect, the project are clearly of greater importance than those who are only indirectly affected;
- Identifies actual and potential conflicts of interest – a stakeholder who is vital to your project may have many other priorities and you need to know this so that you can plan how to engage with them;
- Identifies viability other than in pure financial terms (e.g. includes social factors) – for example staff who will be using a new system might be worried about the change;
- Helps provide an overall picture;
- Helps identify relationships between different stakeholders – helping to identify possible coalition.

This toolkit presents a number of tools that you can use as part of stakeholder analysis and management. It is intended as a "pick list" –not necessarily have to use all of the

tools described here. The bare minimum, however, is that at least set aside time to identify who stakeholders are, and how are going to communicate with them.

## **2.6. Types of Stakeholders**

Form the general environment, stakeholders in a construction industry is often large. It includes the construction professionals, contractors, consultants, construction associations, legal authorities, employees, raw material suppliers, process and service providers, banks, insurance companies, general public, government organizations, civic institutions, etc. Each of these would influence the course of the industry at different stages (Newcombe, 2003; Smith and Love, 2004). Literatures have identified the successful achievement of the industry affects by stakeholder's engagement. Chinyio and Olomolaiye (2010) stated that stakeholders can affect an organization's functioning, goals, development and even survival. They also mentioned that stakeholders are beneficial when they help to achieve its goals and they are antagonistic when they oppose to the mission. According to Freeman (1984), a stakeholder is any group or individual who can be affected or is affected by the achievement of the organization's objectives. Successful engagement of stakeholders involves actively giving and getting their support and working together to devise, plan and develop new business solutions (Persson and Olander 2004). Governments could have an interest in the operations and existence of certain industries and also governments can be counted as stakeholders in some way as they certainly affect organizations and groups through their fiscal and regulatory policies (Moloney, 2006).

Stakeholders have been grouped internal or external (Sutterfi eld et al., 2006). Similar classifications are inside and outside stakeholders (Newcombe, 2003), and direct and indirect stakeholders (Smith and Love, 2004). Another classification considers primary versus secondary stakeholders, have also considered the categories of social versus non-social, and core, strategic or environmental stakeholders (Carroll and Buchholtz, 2006). Given the several dimensions on which stakeholders can be interpreted, some stakeholders

may be members of two or more types; so a multidimensional plot is really needed to capture the full complexity of stakeholders and their often large number.

Some stakeholders can be very critical to an organization and others less critical (Calvert, 1995; Winch and Bonke, 2002). Key stakeholders are the main players holding high power to influence and high level of interest in it. Main players are more likely than any other stakeholders (Bourne, 2009). A primary stakeholder group is one without whose continuing participation the corporation cannot survive as a going concern, whereas secondary stakeholders are those who influence or are influenced by the firm, but who are not essential to its survival (Clarkson, 1995; Pajunen, 2006).

## **2.7. Key Stakeholders**

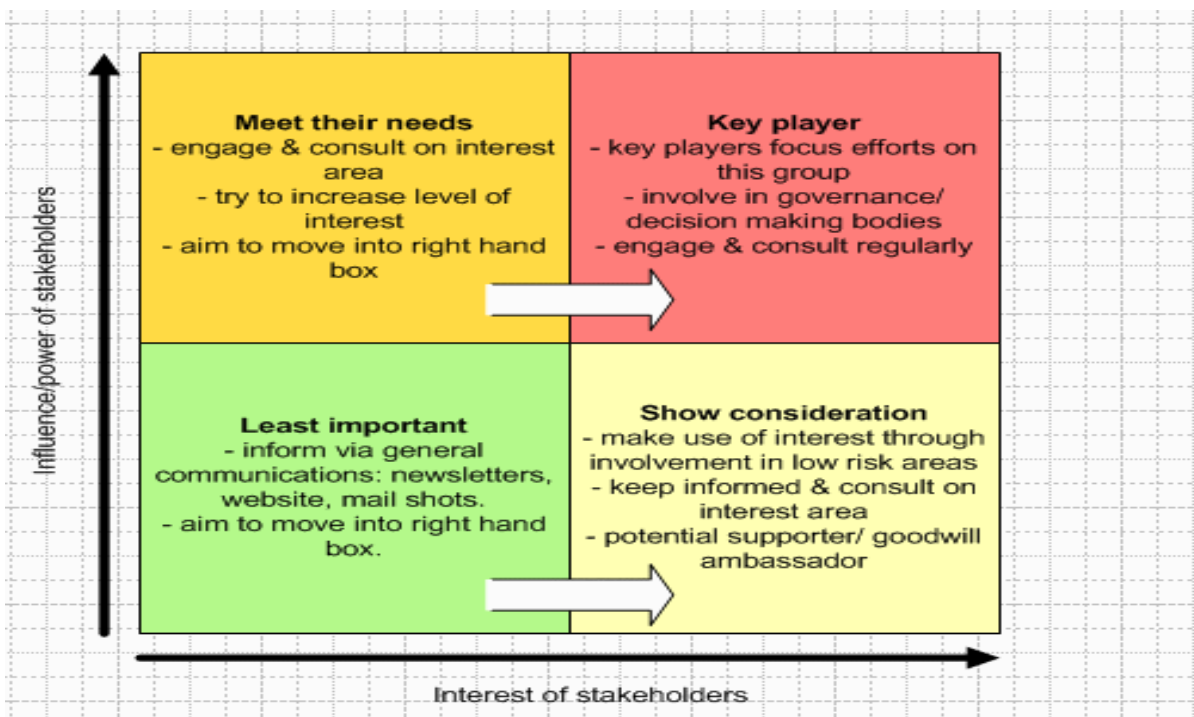
The natures of construction industries involve diverse stakeholders such as as construction professionals, consultants, contractors, financial institutes, governmental agencies, local communities etc. In order to gain an overall view of construction stakeholders, it is helpful to classify them into different categories according to their legal or contractual relationship (Madsen and Ulhoi, 2001; Cleland and Ireland, 2002; Winch, 2002; Olander, 2003). Therefore, the identification of key stakeholders and their objectives are important to achieve business success. Key stakeholders are the main players in the business, holding high power to influence and high level of interest in it. The identification of key stakeholders and their objectives are important to achieve organizations success (Bourne, 2009).

## **2.8. Theoretical framework**

In every sector in broader terms or at project level, the degree of stakeholder engagement and relationship among stakeholders is of pivotal role to bolster effectiveness and ensure optimal utilization of potential. In this respect, understanding the power and interests of each stakeholder is important so that shared views can be reflected in policies, programs and projects. To understand the power and interest of stakeholders, it is essential to identify

who are stakeholders. The literature above came up with basics of stakeholders, models to analyze stakeholders and gaps in the context of the construction industry of Ethiopia. For the purpose of in-depth analysis, the model developed by Newcombe (2003) has been found to be more meaningful. It served as a base to proof whether the key stakeholders involved in this study were based on their power and interest in the construction industry. According to this model, key stakeholders are those who possess high and interest and high power in the industry.

Figure2.1. Theoretical Frame Work



Identifying key players is crucial if your project is to succeed. They have a high political interest and are powerful enough to either stop work completely or to move mountains to make your project a success. Other/ external Stakeholders are individuals or groups outside a business or project, but who can affect or be affected by the business or project. Arguably external stakeholders wield the most influence on the long term success of a business or project, because external stakeholders will often be the end users/customers.

## 2.9. Conceptual Framework

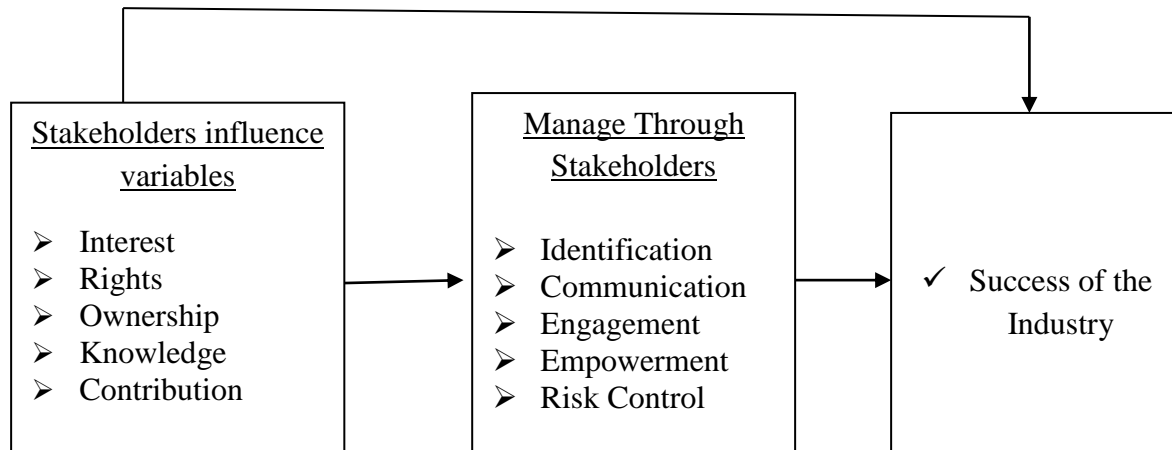
According to Bourne L. (2009) the role of stakeholders is affected by an interest, rights (legal or moral), ownership and contribution in the form of knowledge or support. It is important to consider the nature of a stakeholder's stake when defining a stakeholder's requirements, or defining how the individual or group can impact the organization's activities.

- 1. Interest.** An interest is a circumstance in which stakeholders will be affected by a decision, action or outcome.
- 2. Rights.** Rights can be either legal or moral. Legal rights cover the legal claim of stakeholders to be treated in a certain way or to have a particular right protected. Moral rights cover moral issues that may affect large groups of people or natural phenomena, such as environmental, heritage or social issues.
- 3. Ownership.** Stakeholders will also have a stake of ownership, such as a worker's right to earn their living from their knowledge, shareholders' ownership of a portion of an organization's assets, intellectual property resulting from the exploitation of an idea, Legal title to an asset or a property.
- 4. Knowledge.** Stakeholders who apply experience or knowledge to the production of an asset for an organization will be making a contribution to the organization's activity.
- 5. Contribution.** The contribution that a stakeholder may make to the activity falls into the following categories. Allocation of resources can be people or materials. Provision of funds either the initial approval or ongoing assurance of continued funding. Knowledge or experience essential for successful achievement of the objectives of the activity.

In general, the framework adopted assumes that the role of stakeholder may have direct relationship with the success or failure of the industry. To clarify the nature of this

relationship and to further develop the concept of ‘who can be stakeholders?’ and ‘why are they important?’ it is important to discuss the nature of any relationship between an organization, its activities and its stakeholders.

Figure 2.2 Conceptual framework



## 2.10. Stakeholders in Construction

There are stakeholders in construction undertakings, just as there are stakeholders in other endeavors. The checklist of stakeholders in a construction project is often large and would include the owners and users of facilities, project managers, facilities managers, designers, shareholders, legal authorities, employees, subcontractors, suppliers, process and service providers, competitors, banks, insurance companies, media, community representatives, neighbors, general public, government establishments, visitors, customers, regional development agencies, the natural environment, the press, pressure groups, civic institutions, etc. (Newcombe, 2003; Smith and Love, 2004). Each of these would influence the course of a project at some stage. Some bring their influence to bear more often than others. If diverse stakeholders are present in construction undertakings, then the construction industry should be able to manage its stakeholders.

### **2.11. The Importance of Stakeholders**

Organizations, whether publicly listed, nonprofit, or government bodies must deliver the strategies and requirements defined in their mission and vision, charter or articles of incorporation. The organization needs to focus on different sets of activities for the successful delivery of its vision, mission and business strategy. According to Bourne (2009), successful achievement of each activity will also inevitably require other organizations, groups or individuals to contribute to realization of the agreed outcomes. These other organizations, groups or individuals, may be impacted upon by the work to accomplish the activity or by its outcomes. They are stakeholders whose needs, requirements and expectations must be considered as a necessary part of any organization's planning and management. Successful organizations recognize that stakeholders contribute to the success or failure of their activities.

### **2.12. Size and Structure of Stakeholders**

Some organizational activities are large and complex, and may affect many stakeholders. It is essential to recognize and accept that there will be large numbers of stakeholders to be identified. There is often an unconscious boundary on what a 'good number' of stakeholders can be; it is important for the team and for their management to understand that while the initial number of stakeholders identified may appear unwieldy or overwhelming, priorities provides a structured and logical means to priorities the key stakeholders for the current time. If a large number of stakeholders have been identified, or it is expected that this will occur, it may be necessary to conduct the identification and prioritization workshops at different times (Bourne, 2009).

### **2.13. Government as a Stakeholder**

Governments can be counted as stakeholders in some way as they certainly affect organizations and groups through their fiscal and regulatory policies (Moloney, 2006). Governments could have an interest in the operations and existence of certain organizations.

However, the relationship between organizations and the government is on a different dimension.

According to Moloney (2006), Non-government stakeholders can threaten organizational existence but rarely in the sovereign way of governments against which there is ultimately no constitutional defense. A business can be threatened by another in a hostile takeover bid; employees can strike against their firm; a cause group can interfere with building a by-pass road. These actions, however, do not have the sustained potential for continuous damage that a government with executive and legislative power can have, albeit a liberal, democratic one. Government is a type of stakeholder with unique interests. Their involvement with firms is on a different level and scale.

#### **2.14. The Legitimacy and Powers of Stakeholders**

Stakeholders and their associated stakes will manifest the attributes of legitimacy and power (Carroll and Buchholtz, 2006). Legitimacy is the perceived validity of a claim to a stake. Power is the capacity to induce, persuade or coerce the actions of others and is displayed when one part in a relationship is able to impose its will on the other part (Johnson et al., 2005). Power may be displayed through (Ihlen and Berntzen, 2007): force (coercive power), material or financial resources (utilitarian power), or symbolic resources (normative power).

As stakeholders have claims, rights and expectations, they must be managed in each project to avoid any of their influences that could be contrary to a firm's objectives. Conversely, business endeavors and indeed construction projects affect stakeholders. So businesses must recognize their stakeholders and manage them, and vice versa. The idea is to optimize by maximizing the benefits that are derivable from stakeholders while minimizing their potential negative impacts.

In addition to the power-interest dimension Newcombe (2003), also considered a power-predictability matrix. A risk perspective overshadows the predictability of stakeholders. In this regard, an organization should be able to identify those stakeholders that can spring a

surprise to them in terms of making a demand on or exercising power in the project. When things are progressing well with an organization and its stakeholders, it does not necessarily mean that a stakeholder cannot place a sudden and unnecessary demand on the project. Thus in running projects, organizations may often act in a tolerance zone which is a performance band in which the firm is satisfying the interests of all its key stakeholder groups (Doyle and Stern, 2006). As projects can swing out of this tolerance band, there is a need to monitor their progress continuously.

### **2.15. Stakeholder's Relationship**

According to Bourne, (2009), depending on the way they react to conflict situations the relationships among stakeholders can be classified as unitary, pluralist, or coercive:

- **A unitary relationship** refers to conflicts where a (probably small) number of stakeholders have similar values, and the parties to the conflict are likely to agree on objectives, but may still have conflicts of interest.
- **In a pluralist situation** stakeholders do not agree or do not share each other's value systems, neither one of the stakeholders dominates, even though parties ought to reach compromises on objectives and values.
- **A coercive relationship** among stakeholders describes a situation in which parties do not share a common value system, but one of the stakeholders is powerful enough to make its own value system dominant (and coerce the other stakeholders to accept it).

### **2.16. Managing Stakeholder Relationships**

The stakeholder circle methodology is based on the concept that an organization's activities to achieve its business strategies and objectives are central to any consideration of the stakeholder community that the activity's success depends on. All decisions or understanding of the relationships is from the perspective of the manager of the activity.

Surrounding the activity itself is the team, often overlooked in many stakeholder engagement processes. Surrounding the team is the community of stakeholders that has been identified as being important to the success of the activity at the present time. The outmost circle references potential stakeholders: those who may, or will, be important to the success of the activity at a later stage.

By differentiating between current stakeholders and potential stakeholders in this way, confusion about which stakeholders are important at that moment and how best to manage the current relationships will be minimized, while ensuring that planning for future relationships is managed effectively. The stakeholders in the outer circle may also be considered in risk management planning because they may cause the activity to be at risk of failure in the future, or these stakeholders may need to be considered in an organization's marketing plans, as potential customers.

The stakeholder circle is a five-step methodology that provides a flexible approach to understanding and managing relationships within and around the activity. It also supports the concept of the dynamic nature of the stakeholder community. The methodology is based on the concept that an activity can only exist with the informed consent of its stakeholder community, and that managing the relationships between this community and the activity will increase the chances of success. The stakeholder community consists of individuals and groups, each with a different potential to influence the activity's outcome positively or negatively. The categorization and charting of important stakeholders' ability to influence the project's success or failure holds the key to targeting the right stakeholders at the right time during the life of the activity. Through this analysis the team will develop appreciation of the right level of engagement, i.e., the information and communication needed to influence stakeholders' perceptions, expectations and actions.

The Stakeholder Circle is a flexible model that can be adjusted to cater for changes in stakeholder community membership and stakeholder influence throughout the life of the activity. There are five steps to the methodology (Bourne, 2009)

- Step 1: identification of all stakeholders;
- Step 2: prioritization to determine who is important;
- Step 3: visualization to understand the overall stakeholder community;
- Step 4: engagement through effective communications;
- Step 5: monitoring the effect of the engagement.

## 2.17. Levels of Stakeholder Management

Although there are many different approaches to stakeholder management, they can be categorized into four levels to manage construction stakeholders (Bourne, 2009).

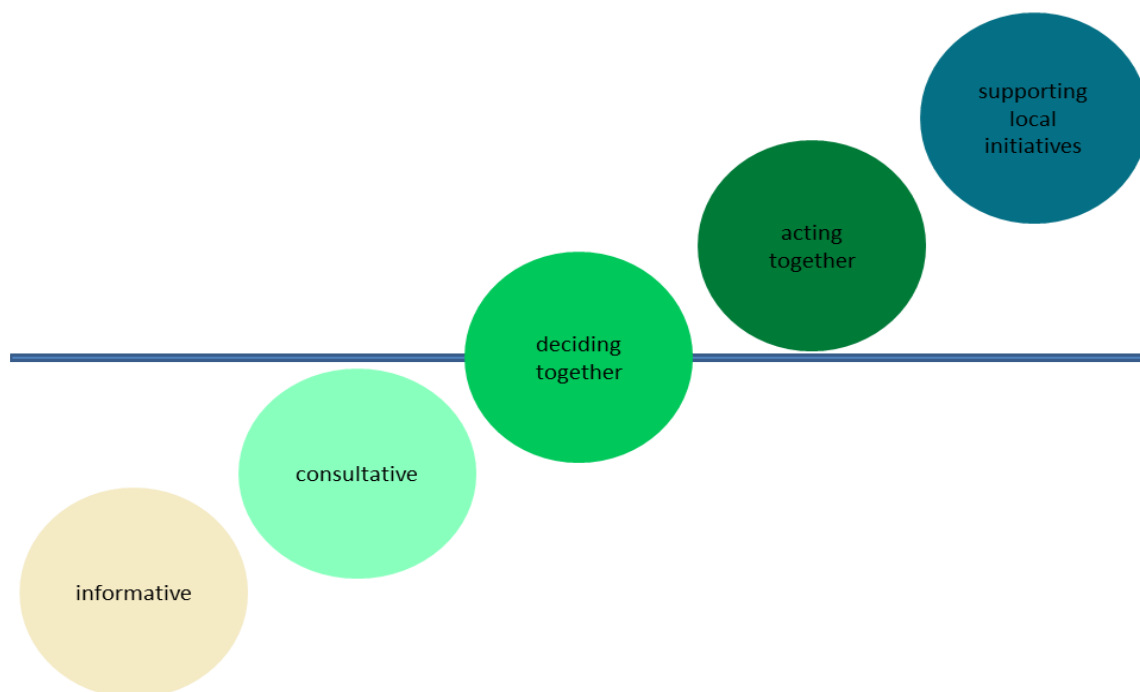
1. **Inform.** This level expresses minimal effort of stakeholder involvement in the project. Secondary stakeholders with lower influence but higher importance need to be kept informed of decisions taken that may affect them directly. It is unlikely that they would play an active role in making those decisions. However, were they to highlight a particular issue with a decision, it is likely that serious consideration would be given to refining the decision made.
2. **Consult.** This is the way to keep stakeholders informed about the project. Since the secondary stakeholders with higher influence but lower importance need to be ‘kept on board,’ they should be consulted in order to seek their opinions and input for key decisions that directly or indirectly affect them. It is unlikely that the strategy will be altered as a result of such consultation, but tactics may be well adjusted to maintain higher levels of commitment.
3. **Involve.** Despite their low influence, stakeholders with high importance essentially need to be involved in all activities in the project according to their interest since they have power to make decisions that impact the project. The management should work directly with these stakeholders to ensure that their concerns are consistently understood, considered, and reflected in the developed alternatives. As long as their

interest is achieved, they are kept satisfied and retain passive rather than active interest in the project.

4. **Partner/collaborate.** Since the primary stakeholders have high influence and importance to project success, they are likely to provide the project ‘coalition of support in planning and implementation. As such, they should be treated as partners to increase their engagement and commitment. This can be achieved by revising and tailoring project strategy, objectives, and outcomes if necessary to win their support.

These four levels of stakeholder management should be applied, according to the stakeholder management objectives, as a result of stakeholder analysis. When appropriately applied to stakeholders, the relationship is strengthened with more committed and satisfied stakeholders.

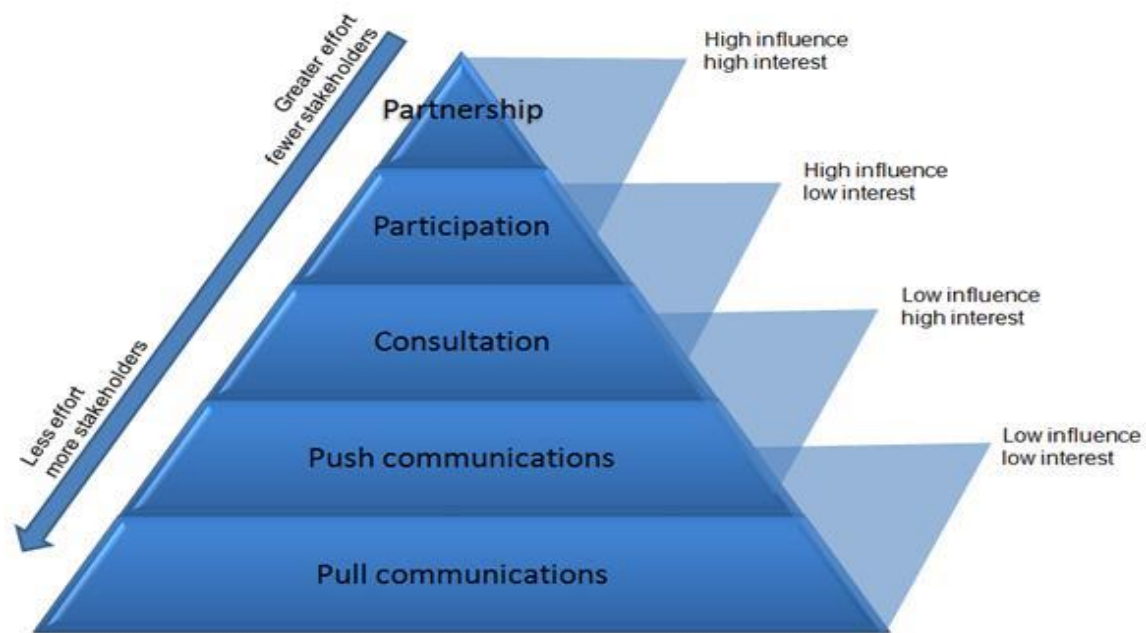
Figure2.3. Levels of Stakeholder Management



## 2.18. Engaging with Stakeholders

What is Stakeholder Engagement? Stakeholder engagement is the process used by an organization to engage relevant stakeholders for a purpose to achieve accepted outcomes (Ability, 2008). Stakeholder support for the portfolio is gained by effective consultation and involvement in the definition and delivery of the portfolio. An organization has to engage with its stakeholders during normal and difficult times. There are different avenues for engaging with stakeholders and these include consultation, dialogue, partnership and regular supply of information. These avenues can be exploited at corporate events, exhibitions and meetings. Channels of communication could also be exploited, such as uses of posters, websites, newsletters and emails. The idea is to use an approach and tactics that are effective (Bourne, 2009).

Figure 2.4. A strategy for Stakeholder Engagement



## 2.19. Stakeholder Communication Networks

Communication can be classified as:

1. Verbal (projected as oral, written, and/or electronic);
2. Nonverbal (expression, expressive behaviors, and/or body language).

Communication flow is classified as formal where the message moves along regulated pathways otherwise it is informal. The pathways and flow patterns of messages and information can be:

- Downward
- Upward
- Horizontal

**Downward communication** is where the top management of an organization gives orders to a middle manager who conveys this order to the first-level manager.

**Upward communication** begins at a lower level of the organization and moves to a top level. In this case, the management in an organization receives feedback from the employee.

**Horizontal communication** is between employees, between owners, managers, subcontractors, etc. In all cases, effective communication requires appropriate timing, simplicity, clarity, relevance, credibility, and style.

Communication networks are another aspect of direction and flow of communication. Such networks may affect the group's completion of the assigned task on time, the position of the leader within the group, or may affect the stakeholder's level of satisfaction in occupying certain positions in the network (Bourne, 2009).

## **2.20. Empirical Studies Related to the Role of Stakeholders**

Empirical studies on the role of stakeholders in the construction industry the researcher have not been found. But the stakeholders impact on the construction projects undertaken in some Universities, Research Centers, Higher Institutions and Organizations with in the countries and abroad. Therefore in this section the study tried to look at some empirical studies related to stakeholder's role and their impact in different areas.

Sintayehu. A., Zewudu, T., and Murad, M. (2015), publish in International Journal of Engineering and Technical Research (IJETR) entitled "Stakeholders Impact analysis on road construction project management in Ethiopia: A case of western region " the findings of the study shows that analyzing the impact of stakeholders is essential for the future plan and smooth relation of project doers and stakeholders especially the external one. The culture and awareness of community was different from areas to areas; so if the contractor or consultant has a culture of analyzing and then interpreting the impact of stakeholders, their impacts can be minimized or easily managed. In addition to discussion identifying stakeholders and analyzing their power is necessary for future action, because the consultant or contractor can easily know who to contact and what measure to take whenever there are issues. Inter-organizational relationship between project doers and government organizations having a stake on road crossings was poor. In order to minimize disagreements there must be strong relationship between organizations. In most areas the community was not aware about the projects. After start of the project the communication of community about project with local authorities is low. Making community aware about project progress minimizes their impact on projects.

The study conducted on Proost, S (2010), in the title of "The role of in land use and housing markets in the Nether-lands". On this study the main stakeholders on the housing market are the owners associations and the corporations who take care of the social rental market. The research discusses first stakeholder's importance and role. Next the elementary economics of the two most common public policies that the stake-holders try to influence: the subsidies for building and owning a house and the subsidies on the rental market.

Other study is conducted by Grześ-Bukłaho, J. (2017), Article prepared and submitted for 9th International Conference on Applied Economics Contemporary Issues in Economy, in Toruń, Poland, in the title of the role of stakeholders in the process of building a competitive advantage with the example of development companies. In this research, each group of interest of a development company, by creating and ex-pressing an opinion about it, evaluates it through its own needs and interests and their satisfaction. Partner

relationships, in I. Gordon's opinion, are the only real asset of a company, not the machines that manufacture the products, the products themselves, or even the intellectual capital that is inherent in people, patents or know-how, though all that may be important. Partner relationships with the environment, however, affect the long-term operation of a company and the possibility of long-term development.

The study conducted by Rajablu, M., Marthandan, G., & Fadzilah, Wan. (2014), in the title of “Managing for Stakeholders: The Role of Stakeholder-Based Management in Project Success” at Faculty of graduate school of management, multimedia university, Cyberjaya, Malaysia. The study indicates that the existence of two categories of stakeholder influential attributes of positive and negative. The category of positive effect on project success consists of interest, legitimacy, proximity and network. The negative effect on project success includes urgency, and finally power with no significant, but negative weight on project success

From the above broad portion of literature it is possible to conclude that the identification, classification, communication, engagement and empowerment of all stakeholders with interest (self or moral), with legitimate claims, and proximity ties, and relationship network is much more important for the success of the business.

## **2.21. Research Gaps**

Even though the researcher did not find the conducted study relating to the role of key stakeholders in the construction industry in general, the researcher try to address stakeholders role in different areas. Based on the reviewed of literature there were studies that conducted on the role of stakeholders in different countries and in Ethiopia at construction projects level. Based on the findings of the study the role of stakeholders is different among construction projects. The role of stakeholders and the determinant factors of their role is varied from business to business even one country. Therefore the researcher observed that there are determinant factors relating to the level of stakeholders engagement

in the business. Accordingly the role of stakeholders in the Ethiopian construction industry needs further studies to assure how stakeholders exercise their roles in the domestic construction industry.

## **2.22. Summary of the Chapter**

In every sector in broader terms or at project level, the degree of stakeholder engagement and relationship among stakeholders is of pivotal role to bolster effectiveness and ensure optimal utilization of potential. In this respect, understanding the power and interests of each stakeholder is important so that shared views can be reflected in policies, programs and projects. To understand the power and interest of stakeholders, it is essential to identify who are stakeholders. The literature above came up with basics of stakeholders, models to analyze stakeholders and gaps in the context of the construction industry of Ethiopia. For the purpose of in-depth analysis, the model developed by Newcombe (2003) has been found to be more meaningful. It served as a base to proof whether the key stakeholders involved in this study were based on their power and interest in the construction industry. According to this model, key stakeholders are those who possess high and interest and high power in the industry.

Further from the literature, it is grasped that the role of stakeholders is determined by a number of variables. Stakeholders' interest, rights, knowledge, contribution and ownership are of important factors that determine degree of role in multi stakeholder environment. The levels of stakeholder involvement vary depending on the situation in which their interests and rights are entertained. For the best of stakeholder management, it is found desirable to work at various levels to inform, consult and involve each other while collaboration is also important on joint initiatives (Bourne, 2009). In order to work with effective stakeholder relationship, there are strategic interventions necessary from simple participation to the level of working as partners depending on the degree of interest and influence. The levels of stakeholder management and strategies were of pivotal role in analyzing the levels of stakeholder management in the construction industry.

## **Chapter Three**

### **3. Research Methodology**

#### **3.1. Introduction**

This chapter deals with methodological issues that include the research approach, methods of data collection, data sources, presentation and analysis used in the whole process of the study. It is intended to give a clear direction to the researcher and readers on how the study was done.

#### **3.2. Research Approach**

The major aim of this study is analyze and investigate the role of key stakeholders in the Ethiopian construction industry. The research objectives and the research questions are identifying key stakeholders in the construction industry in Ethiopia, describing the activities, benefits, provisions and ways of improvement of role of stakeholders in the construction industry. It is a descriptive study, it analyze key stakeholders practices and state conclusion from the data that are described. The thesis, therefore, uses a qualitative research method to triangulate information from primary and secondary data sources. According to Leedy and Ormrod (2010), the qualitative research method also used in order to provide sufficient details about the study situation.

#### **3.3. Data Type**

The researcher adopted qualitative research approach method and enables to use primary and secondary sources of data. It is believed that using qualitative data collection techniques help to obtain sufficient information, strengthen the validity and quality of data.

Both primary and secondary data sources of information are vital in order to have a wider perspective and make an in-depth analysis of the role of stakeholders in the construction industry in its context. Accordingly, primary and secondary data were collected both from

the primary and secondary sources in order to arrive at a sound conclusion about the relationship between stakeholders role and construction industries in Ethiopia.

### **3.4. Data Sources**

The researcher used qualitative data analysis techniques. The unit of respondents (key informants) is among key stakeholders who actively involved in the construction industry including practicing professionals, contractors, consultants, construction association leaders, and MoC higher officials and experts. The choice of these respondents as key informants in the study is that these people are considered knowledgeable about stakeholder's role as well as the current condition of the Ethiopian construction industry.

According to Kumar, Stern & Anderson, (1993), relying on key informant accounts is appropriate when the content of inquiry is complete or in-depth information cannot be expected from representative survey respondents. Survey respondents describe their personal feelings, opinions and behavior but key informants generalize about patterns of behavior, after summarizing either actual or expected organizational relations.

### **3.5. Data Collection**

The data collection for this study involved primary and secondary data. The primary data was collected through key informant interviews with a number of participants in the construction industry. The key informant interview was carried out through guiding questions on semi structured basis.

The researcher obtain 11 respondents interview by using audio record based on their permission among the total of 36 and the remaining 25 respondents response was total reliance on taking note. Interview questions were designed to focus the research objective of specific areas interest. At the beginning of the interview, the researcher was explained the aim of the research but there were some concerns which rose by the respondents themselves. The interviews conducted face-to-face. Most interviews were approximately 90-120 minutes in length.

A letter of support of the School of Graduate Studies from College of Business and Economics at Addis Ababa University was offered to the key informants in order to get the necessary support from all concerned during the interview. The following table shows the number of key informants participated in the conducted interview.

Table 3.1: Number of Interviewees

Group of Key Stakeholders	Key Stakeholders Name	No. of Interviewees	Positions
Performer	Construction Professionals, contractors and consultants	11	Practicing Professionals
	Constructions Associations	5	Association Chair Person, Managers, Secretariat, Public Relations
Government	Policy Maker and Regulatory Body	11	Higher Officials, Advisers, Bureau Heads, Directors and Experts
Suppliers	Financial Institutions	4	Team leader, Directors, Branch managers,
	Construction Equipment and Raw Material Supplier	5	General Managers, Division Head, Directors,

Secondary data encompasses strategic plan of regulatory body, second growth and transformation plan of the country, regulation of national construction council inauguration, construction professionals, contractors and consultants licensing and certification directives, professionals, contractors and consultants associations code of ethics, charities and societies registration and regulation proclamation, construction industry development policy and different reports, literatures periodical magazines was deeply assessed.

### 3.6. Method of Data Analysis

The role of key stakeholders in the construction industry was studied to have a clear picture and understanding of the stakeholder's participation and engagement in the domestic construction industry. As well as the research assessed that the relationship between key stakeholders and the construction industry. The degree of engagement and relationship among stakeholders is of pivotal role to bolster effectiveness and ensure optimal utilization of potential. In this respect, understanding the power and interests of each stakeholder is

important so that shared views can be reflected in policies, programs and projects. To understand the power and interest of stakeholders, it is essential to identify who are stakeholders.

The role of stakeholders is determined by a number of variables. Stakeholders' interest, rights, knowledge, contribution and ownership are of important factors that determine degree of role in multi stakeholder environment. The levels of stakeholder involvement vary depending on the situation in which their interests and rights are entertained. For the best of stakeholder management, it is found desirable to work at various levels to inform, consult and involve each other while collaboration is also important on joint initiatives (Bourne, 2009). The variables and qualitative data obtained from primary and secondary sources were transcribed, summarized and analyzed for important themes through descriptions.

Since the data collection was held via interview and document review, the analysis is carried out on qualitative basis. The analysis involves integrating (mixing) data collected through interview and secondary sources to strengthen the analysis and make meaningful conclusion. The researcher is convinced that content analysis makes great sense to analyze roles of key stakeholders, challenges and the way forward so that significant conclusion is made. The study was attempted to touch most of the relevant analysis that enables to appreciate all the concerned issues under the study area. A descriptive method was used for the analysis of the data which provides a general overview of the results in order to some kind of interpretations and discussions can make.

### **3.7. Ethical Considerations**

The information provided was kept confidential and the response that key informants reply will not be used for any other purpose other than this research work and will have no effect on theme. The respondents were assured that the information they provide is confidential and used for academic purpose only.

## Chapter Four

### 4. Discussion and Analysis

#### 4.1. Introduction

This chapter deals with the discussion and analysis of data obtained from the interviews and document review. As mentioned chapter three the study used interview for the primary data collection method and used document review for secondary data collection method for the deep understanding of the role of key stakeholders in the construction industry.

#### 4.2. Demographic Characteristics of Respondents

Here are presented professional background and demographic data of the respondents including age, educational level, current position and work experience. Accordingly, characteristics of the respondents are summarized and described in the table below;

Table 4.1 Demographic Characteristics of the Interviewees

No	Item	
1	Age	33-51
2	Gender	Male
3	Education Level	Bachelor and above
4	Position	State minister, bureau heads. Director, practicing professionals, association leaders,
5	Experience	Between 11-31 years

#### 4.3. Overview of the Ethiopian Construction Industry

##### 4.3.1. Historical Background

The collected data from primary and secondary source justify that since the beginning of human existence construction has been an aspect of life. The first buildings were huts and shelters constructed by hand or with simple tools. Traditional construction might be considered as having properly, commenced when humans started to abandon a nomadic

existence that caused a construction of shelter. In our country, the construction of Axum (4<sup>th</sup> century AD), Lalibela (13<sup>th</sup> century BC) and Gonder Fasiledes (17<sup>th</sup> century BC) might be considered the first instance of large structure construction.

According to the assessed document, in the past history the construction industry in Ethiopia was not considered as an independent sector of the national economy in Ethiopia. It was, not rather considered as capable of generating national wealth nor was not gives proper attention. As a result, no comprehensive strategy for its development was considered. Through time countries population growth led to an increasing need for shelter developments and the spread of urbanization although focused attention on the growth and importance of local construction, building materials and techniques. Accordingly, the construction industry started to grow with an increasing demand, line with this, construction companies are growing at a fast since the fall down of the Derge regime and the coming of Ethiopian People's Revolutionary Democratic Front (EPRDF) 1992.

In the new economic policy statement issued after the downfall of commends economy made clear intention to transform the stagnant command economy into a functioning market-based economy. This transformation is sought to be achieved through an Agricultural Development Led-Industrialization strategy for the country which is supported by similar strategies in education, health, transport sectors etc. Accordingly, the growth of such industry derive the growth of construction industry and subsequent growth of construction professionals, construction companies, finance and row material supply chain, as well as contractual relationships in the construction industry are increasing.

The Ethiopian construction industry is defined generally as an economic activity directed to the creation, renovation, repair or extension of fixed assets in the form of buildings, land improvements of an engineering nature, and other such engineering constructions as roads, bridges, dams, etc. The industry consists of a group of establishments engaged in one or more of the following activities of: (1) Residential buildings in urban and rural areas, (2) Nonresidential buildings, i.e. factory buildings, ware houses, office buildings, garages,

hotels, schools, hospitals, clinics, etc., (3) Other construction works, like roads, dams, dikes, athletic fields, electricity transmission lines, telephone & telegraph lines, etc. In principle, activities which do not categorize under the industry such as the quarrying of stone, gravel crushing, and manufacturing of bricks, are not part of the industry's production (ECIDP, 2013).

The growth and increasing demand for the Ethiopian construction industry has followed a similar pattern as observed in the trend of the world. Currently, construction is one of the sectors leading the way towards modernization and industrialization in Ethiopia. According to the MoFEC, the construction sector in Ethiopia, contributes to the realization of about sixty percent of the total capital.

Today the construction industry is one of the sectors of the economy identified by the Ethiopia Government for special consideration to foster the country's economic development. It is a sector that opens the growth of many formal and informal economic activities and a sector that can entertain big micro companies, that is widely labor, finance and material based, job opportunities for construction companies, supply chains, skilled and unskilled labor etc. The construction industry being the second largest employer in the country (MoFEC report 2016). Even if, the general state of the domestic construction industry in Ethiopia is still characterized by inadequate capital base, old and limited numbers of equipment, availability and utilization, limited experience and ineffective use of technology. This, in turn, has led to the undesirable features of the current construction sector. All these being taken into consideration the Construction Industry Development Policy (CEIDP) amended by house of people representative (HPR) in 2013.

#### **4.3.2. The Role of Construction Industry in the National Economy Development**

Based on the collected data from secondary source, construction industry makes significant contributions to the process of socio-economic development of a country. It contributes to the national output and stimulates the growth of other sectors through the system of direct

and indirect linkages. For instance, the Growth Rate of GDP by economic activity at constant prices, the construction industry shares about 20.7 percent in the period 2016/ 17. The sector has registered relatively higher growth as compared to the growth of GDP during this period. Over this period, there has been increased investment on the development and expansion of various infrastructure projects like roads, airports and residential and non-residential housing units (MoFEC Report, 2017).

The industry contributes to employment opportunity and creates income for the growing population and has multiplier effects on the economy. Even though the employment in the construction industry is mainly temporary in nature, the industry employs large unskilled labor; the majority of employees in the industry are unskilled. Women and Youth are also beneficiaries of the employment in the growing construction industry. Besides, it contributes to economic activity through generation of revenue to government. The following are some major benefits of the construction industry to national economy include: strategic tool to achieving sustainable development, construction output as growth-initiating and growth dependent, contributes significantly to the economy GDP, contributes to Gross Fixed Capital Formation, provide outputs to most industries and utilizes the outputs of many industries, contributes significantly to the informal sector, income generation and re-distribution and employment generation.

#### **4.4. Stakeholders Issue in the Construction Industry**

According to Stakeholders Coordination Office at MoC, in the Ethiopian construction industry is a sector incorporate variety of stakeholder includes individual, group, or organization that may affect or be affected by a decision, activity, or outcome of the industry.

It is the sector that visible highest stakeholders effects through the involvement of backward and forward linkages in the industry. The effectiveness of the industry determine by its strong linkages with its stakeholders. Since it would be difficult to achieve sustainability in the industry assess and determine the industry's linkages without its stakeholders. Some of

the commonly used stakeholder's dimensions include: power (high, medium or low); support (positive, neutral or negative); influence (high or low); interest (high or low); attitude (supportive or obstructive).

In the Ethiopian construction industry, policy making and regulation handle by the government body and it makes the crucial decisions which is the MoC. The role of MoC is wide and very important particularly for issues concerning policy, planning and regulation. The MoC has authority to approve the overall system's functionality. As key stakeholder and the regulatory body of the industry, the MoC also possess the necessary phases for the industry development. Since MoC knows the industry well and controls the resources, it could coordinate other key stakeholders. It is quite apparent that the more authoritative stakeholder, the more participation in the industry is needed. With this respect, the omission of any key stakeholders can adversely affect industry development and the achievement of industry goals.

#### **4.4.1. Stakeholders Type in the Construction Industry**

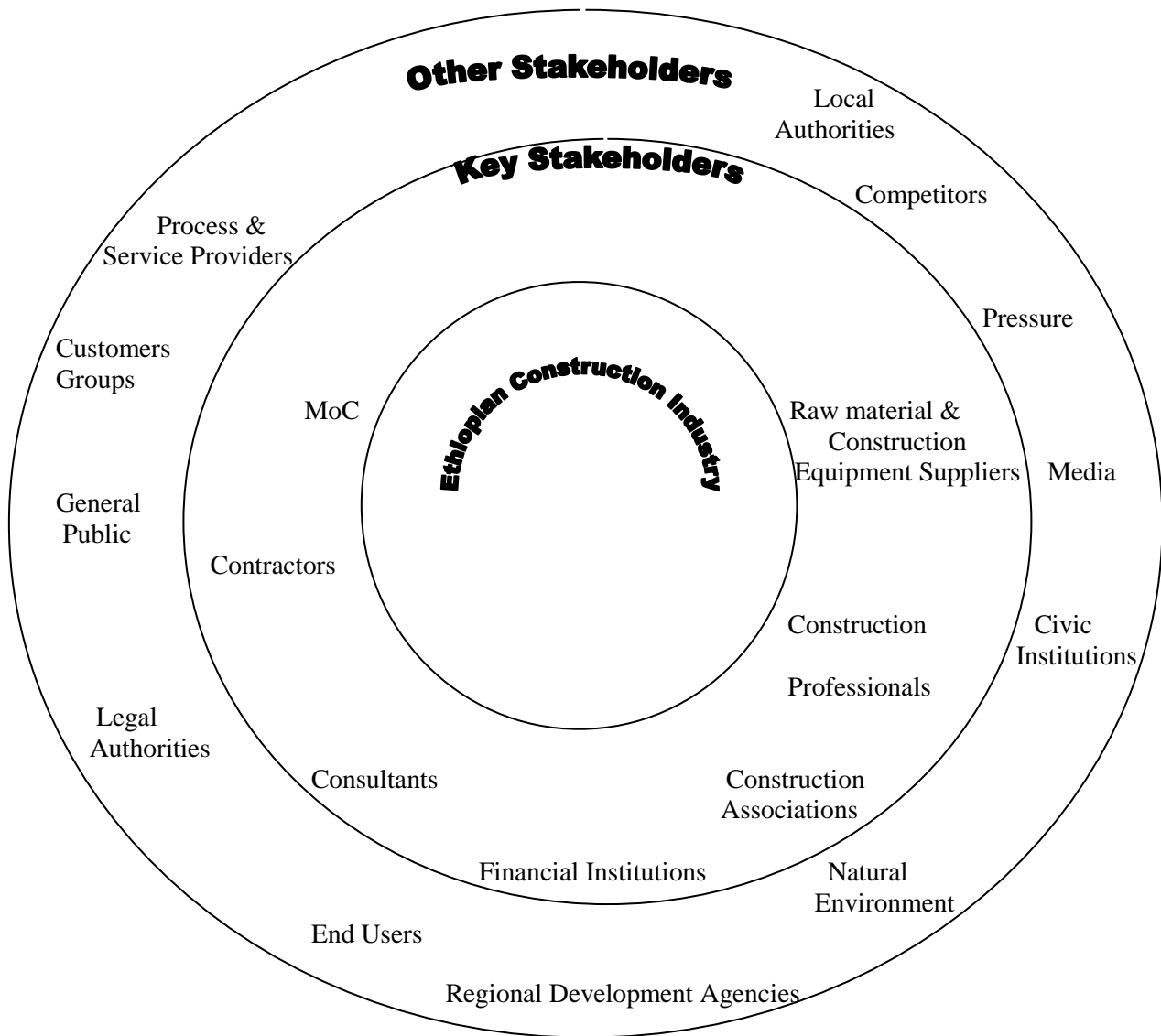
It may not be difficult to identify commonly known stakeholders; the problem is identifying new stakeholders. According to the assessed document, there are different methods to identify stakeholders. Among, guideline, interviews, public consultation, formal memos, and questionnaire are methods recommended. Stakeholder impact index is also another method, in this approach stakeholders are identified based up on their power and interest on the project.

In the construction industry, stakeholders include but not limited to end users of facilities, construction professionals, contractors, consultants, construction associations, financial institutions, raw material manufacturer and suppliers, legal authorities, employees, process and service providers, competitors, media, general public, government, regional development agencies, the natural environment, pressure groups, civic institutions, local communities, government agencies, local authorities etc.

The classification of stakeholders was done based on the power/interest matrix and interview from key informants. Stakeholders in the Ethiopia construction industry can be classified into two key and other stakeholders. Key stakeholders are vital since the construction industries outcomes directly affect by them and their interest's affects by the industry outcomes. Key normally include organizations, groups or individuals who have the power, authority and responsibility over the resources and are powerful enough to either stop work completely or to move mountains to make the industry success. These stakeholders are integral to the success of the industry so it is essential to identify them, early understand their motivations and develop an engagement strategy to ensure that their requirements are captured and their needs met.

Other stakeholders are affected by the construction industry outcomes. They may be the costumer of a product or service. For instance occasional users, their role and interest is low and thus can be considered as optional. The industry have defining their stakeholders and focus the efforts on the highest priority groups while providing sufficient information to keep the less powerful groups happy. Based on the assessed document other stakeholders in the domestic construction industry include end users of facilities, legal authorities, process and service providers, competitors, media, general public, customers, regional development agencies, the natural environment, pressure groups, civic institutions, local authorities media etc. They are individuals or groups outside the industry and the most influence on the long term success of the industry, because they will often be the end users/customers.

Figure4.1. Stakeholders Type in the Ethiopian Construction Industry



#### 4.4.2. Key Stakeholders in the Construction Industry

Identifying key players is critical if the construction industry has to succeed. This is because they have high powers and interest to influence the industry. Key stakeholders are therefore considered as mandatory, regardless of the roles they are playing. Without these stakeholders, the industry cannot survive and play significant role in the economy. Key

players are stakeholders who have a high influence on the industry and a high interest in the industry success or failure.

According to Stakeholder’s Cooperation Office at MoC, The Ethiopian government directly involves in the construction industry by Ministry of Construction who acts as a regulatory body and policy maker, as well as different type of governmental construction corporations are conduct technical civil engineering’s through the country like road, dam, energy, power etc. Beside there are some other key stakeholders in the Ethiopia construction industry namely; Construction Professionals, Contractors, Consultants, Construction Associations, Financial Institutions, Construction Equipment and Raw Material Suppliers are considered as key stakeholders in the industry.

Table 4.2 Key Stakeholders in the Ethiopia Construction Industry

No	key stakeholders	Power		Interest		Influence	
		high	low	high	low	high	low
1	MoC (Policy making and regulatory body)	√		√		√	
2	Construction Professionals	√		√		√	
3	Contractors and Consultants	√		√		√	
4	Construction Associations	√		√		√	
5	Financial Institutions	√		√		√	
6	Construction Equipment and Raw material Suppliers	√		√		√	

Source; stakeholder’s cooperation office at MoC

The interest of key stakeholders in the domestic construction industry is different based on their mission. The interests of key stakeholders have two angles: either to give their best input for the success of the industry or to satisfy their vested (self) interest. In the interview section; the discussion with key informants that they are eager to collaborate and their response is positive in all aspects of the construction industry. Power of key stakeholder in this research has been analyzed by the decision making or influencing capacity and changing the industry overall procedure and interest of stakeholders is measured by their

vested interest on the construction industry. In the context of the current domestic construction industry the government handles the heavy weight of the power of the industry. Beside the construction assassins (professionals associations, contractors associations and consultants associations) participate on the level of consultations in decision making process. But all key stakeholders which mention above have influencing capacity to enhance the overall systems of the industry.

## **4.5. The Role of Key Stakeholders in the Construction Industry**

### **4.5.1. Ministry of Construction (MoC)**

According to Proclamation number 916/2015, definition of powers and duties of the executive organizations of the FDRE. The MoC acts as a regulatory body and policy maker for construction industry since October 2015; MoC was reestablished after divorcing from the former Ministry of Urban Development, Housing and Construction (MoUDHC).

The assessed document explained that the ministry of construction plays a major role in the construction industry acts as regulatory body and policy maker. The roles that the MoC plays include, but are not limited to, promote an enabling environment, devising a holistic, sustainable and accessible regulatory framework, promotes stability in the construction industry. Furthermore the MoC initiates, prepares, and revises construction industry policies, strategy and legal frame works relevant to the construction industry and follows up effective implementation thereof. It provides the industry competency certification and registration system, through this system, assesses the technical competency and determines level of engagement of construction professionals, contractors and consultants, preparing annual conference for the active participation of stakeholders, Also the Ministry provides education, trainings, international experience, knowledge and technology sharing in order to builds the capacity of domestic professionals, contractors and consultants. Promotes and supports use of cost effective construction materials and technologies through research and technology transfer.

Stringing stakeholder's activity in the industry is the one, in addition to the above maintained ministry's role in the construction industry. The Ministry also, in the process of inaugurating National Construction Counsel (NCC) for the purpose of stakeholder's active involvement. According to Council of Ministers Regulation No. 419/2017, the NCC minimizes the gap and will have the following roles:

- In addition to strength the construction industry it plays a vital role in the transformation of construction industry to manufacturing industry inputs production;
- Managing the sector in an integrated manner as well as causing expeditious and modern system by designing vision and direction towards developing efficient construction industry;
- Create stakeholder forum that formulate and deliberate on policy ideas to enhance the contribution of the construction industry in the overall national development,
- Identifying shortcomings in the industry through studies and propose alternative solutions,
- Allocate appropriate budget to faster the domestic construction industry,
- Offering land and town plan appropriate for the local construction industry,
- Synthesize proven global practices and implementation mechanisms,
- Formulate ideas that would help the practical implementation of policies, programs, laws and strategic issues that help to develop various aspects of the industry;
- Synchronization of the construction industry with higher learning institutions and Technical Vocational Educational Training with a view of creating competent human resource that would respond to the needs of the domestic construction industry and further the need to create a globally competent construction industry;

All in all the MoC play significant roles in the construction industry by deliberate and provide direction on policy ideas on modernization the industry, promoting an enabling environment for the industry development, promotes stability, provide solutions on the challenges and enhance the contribution of the construction industry in the overall national development.

Even if the MoC was reorganized independently about three years past, before divorcing from the former MoUDHC construction industry development and regulatory bureau was functional. The respondents and assessed document justified that there are gaps between the Ministry performance and the demand of the construction industry; For instance, the process of inaugurating the construction council takes more than 4 years and didn't start formal work yet. The MoC was plan to prepare 37 legal documents including construction industry code, different directive and working manuals which is appropriate the industry in the Second Growth and Transformation Plan (GTP), but no one finished and amended yet. Furthermore the ministry did not have a common plan all key stakeholders will share it especially governmental institutions which is the day to day activity of theme related to construction like Road Authority, Irrigation and Energy Ministry, Sugar Corporation etc. In general, the collected data assure that the MoC play its role and lead the construction industry in fragmented way, there are reaming duties actually the MoC must perform to satisfy the domestic construction industry.

#### **4.5.2. Construction Professionals**

According to Directives for the Registration of Construction Professionals and Contractors No.19 (2013), construction professionals are technical professionals with educational level of Degree or above, Diploma or Certificate in engineering related technical courses and want to take part in construction works or professionals who are certified for the different levels in the occupational standard.

Based on the data collected from primary and secondary source Construction professionals are qualified and well trained persons contributing their specific knowledge and experience for successful completion of construction projects. Technically their contribution for the construction industry, among others include; preparation of designs including drawings, specifications, bill of quantities and conditions of contracts by using their knowledge and skill for the enhancement of human welfare and the development construction industry. Being honest, impartial and serving with fidelity the public, their employers and clients

during they also deal with time, money, technology, equipments, operatives and materials to manage the construction projects, striving to increase the competence and prestige of the engineering profession and supporting the professional and technical societies of other disciplines which involved in the construction industry. Furthermore, they also contribute in organizing the project resources to execute project activities on time, with the appropriate quality and cost. The activity which maintained above assess the industry on the side of declining of wastage, complete the construction projects efficient and effective manner is assuring value for money in construction industry.

According to the collected data, there are the gaps the demand and supply of professionals in the domestic construction industry. The variety and amount of construction professionals are limit with compared to the industry demand. Some of higher education graduate have not technical skills in addition to academic knowledge and also there are uncovered areas by national education curriculum which maintain in the CIDP. For instance Construction Law, Construction Contract Administration, etc, did not design the curriculum and start education in the national higher education yet.

### **4.5.3. Contractors and Consultants**

The assessed document defined that, constructors are a company which is registered to take part in the construction projects. It includes Building Contractors, Road Contractors and General Contractor's registered and licensed by MoC in accordance with the directive number 19/2013. Contractures play vital roles in the construction industry include; undertaking construction project works at the agreed quality, budget and timeframe, completing the project in a manner which coincides with all laws, rules and regulations which may be in existence and correlate with construction, ensures that the construction works are suitable for elders and persons with disabilities, review the progress and implementing any changes along the way, the contractor needs to follow the specific building project closely and make changes when they deems it necessary to do so and

assure suitable welfare and safety facilities are provided on the construction sites, and maintain them throughout the work.

Consultants are individuals or companies registered with MoC after having satisfied the various requirements specified in the directive number 22/2013. The major roles which consultants play in the Ethiopian construction industry include; advising on matters relating to the design, cost and any regulations, ensure that projects are built to the agreed quality, budget and timeframe, providing advice on setting up and defining the project, developing and coordinating the design, preparing production information and tender documentation and inspecting the work of contractors.

Based on the collected and analysis data from primary and secondary source public and private contractors and consultants are involved in the domestic construction industry. Contractors and consultants are key stakeholders, they plays irreplaceable role in the. Even thought, their rents seeking behavior both in attitude and practices are negatively affect the domestic construction industry. Some of them use illegal documents for the registration and licensing to gate high grade certificate, use less quality construction raw materials for the purpose of increase their profits, purposely delay the construction project, jamming the beading process and create erratic working environment.

#### **4.5.4. Construction Associations**

The conducted interview mentioned that, constructions associations are legal institutions including construction professionals associations, contractors associations and consultants associations. Construction associations usually provide comprehensive betterment to the construction professionals, contractors and consultants. The associations furnishes free education and training, participation and give feed backs in the preparation of legal frame works, directives, code and standards that the industry well be guide, involve in conference and seminars important for idea and knowledge sharing. Therefore construction associations provide professional expertise and contribute to policy decisions in their respective fields; their members can develop their knowledge and make improvement the level of

professionalism appropriately and there by contribute to improve the quality of construction works in domestic construction industry.

Some of the roles the construction associations' plays in the construction industry are; maintain the standards of the profession in the construction industry, maintain superlative knowledge (Training, Seminars, Continuity Professional Development, CPD) respond to changing environment to meet current and future operation needs, encouraging of sustainable constructions, conduct researches important for fill up the gaps that face construction industry, maintain and improve the quality of built environment, organizing different workshops, exhibitions and conferences on the construction industry that can be useful both for the proffessionals, members and also for the industry as a whole. Increasing the capability of the workforce and management in the industry by making local and international communication, promote best practice and share the latest advancements/technologies.

Accounting to the collected analyzed data, the partisipation of econstruction association industry reseterected too. The respondats from construction association assured that shortage of capital, lacke of office and official equipment, limited participation of members their association and lack of enforced rule and regulation are the major constraints hamber the involvement of construction associations in the construction.

#### **4.5.5. Financial Sectors**

The collected primary and secondary dates justify that, public and private financial institutions are involving in the domestic construction industry. Financial institutions include banks, insurances, financial donors, saving and credit associations etc. The fundamental role of financial institutions in the construction industry is supply of loans, grants and funds to the business community for the purpose of infrastructures development within the construction industry. The domestic construction industry surround by Small and Medium Scale Construction Company (SMSCC). In this context, the role of financial institutions in the development of the small and medium scale construction companies in

providing the vital supporting additional services and to create inter-industry linkages to strengthen the industrial base. However, that the potential of SMSCC has not been fully developed because of various handicaps. One of these is lack of accessibility to institutional credit. Financial institutions can play this role by combining sound credit analysis based on project viability with collateral or even at the other extreme.

Based on the collected data, financial institutions play vital role for the domestic construction industry in the course of:-

- ❖ **The construction raw materials are expensive.** This requires a high demand on the cash flow. In such a situation, availability of finance service from a financial institution proves to be very helpful for the appropriate raw material supply in construction industry. The available finance could support sustainable regional and local construction activities and also faster the growth of construction projects.
- ❖ **Labor cost is immense.** The highest cost in the construction industry is labor cost. Skilled, semi-skilled and daily wage labors in large numbers have to be employed for the timely execution of the project. Labor costs drain the cash flow and if proper financial planning is not in place at the time of placing the tender, then the construction company can face a very serious financial crisis. This situation can be minimizing by taking finance from a financial institutions.

According to the conducted interview and assessed document, there is gap between the demand and availability of finance within the construction industry. Admittedly, the some financial institutions have intentionally been averse to making credit facility for small scale construction enterprises because they consider such lending to be riskier and involving higher administrative costs. Therefore lack of appropriate finance supply negatively affect the domestic construction industry on many areas including lag the domestic construction company's ability to expand and grow, undertake new projects, enter new markets, recruit new staff and manage current construction projects.

#### **4.5.6. Raw Materials and Construction Equipment Suppliers**

According to the conducted interview and assessed document, the role of construction equipment and raw material supplier in the construction industry is the industry able to access the right materials, the right quantities, at the right quality, the right cost, at the right time. Therefore the major roles of raw materials and equipment suppliers are offering the necessary raw materials and machinery in the construction industry based on the demand of the industry. The final goal is to reduce costs and duration of site construction activities. In this case, the primary consideration is to ensure dependable material flows to the site to avoid disruption of workflow in the construction industry. On the other hand availability of enough raw materials and equipment's in the domestic construction industry reduce the total costs and duration of construction projects. This has significant benefits in order to assuring efficiency and effectiveness towards the local construction industry.

Additionally the interviewer assured that few domestic private and public companies producing building materials use local natural resources, such as Cement, Electric Wires and Cables, Marble, Lamp, Plastic Material, Reinforcement Bar, Galvanized Corrugated, Steel Sheet, Gypsum, Ceramic, Metal etc. But some of the products produced in domestic companies have not satisfied the demand of domestic construction industry as well as they face quality problems with compared to the imported one. Therefore the domestic construction industry spends the scarce foreign currency for construction equipment's and imported construction materials.

The collected and analyzed data justify that, increase the output of local construction material production, and decrease the construction industry dependence on imported materials are mandatory. It requires additional incentives for the domestic investors and attracting foreign direct investment in the area. There is potential for raw materials development locally in Ethiopia.

## **4.6. The Benefits that the Construction Industry Gains through the Involvement of Key Stakeholders**

### **4.6.1. The Benefits that the Construction Industry Gains through the Involvement of MoC:**

The active engagement of the MoC in the construction industry is promoting sustainable construction industry by application of appropriate building regulations, provide leadership and marshal for the support of stakeholders engagement for ongoing growth and development reforms in the industry. Therefore the MoC is perform the sector co-ordination, promote activities for the development and competitive performance of the industry, prevention of corruption, recommending measures against malpractice in construction contract administration etc.

In general the Ministry enhances a system that stakeholders in the industry can strategically and synergistically collaborate, promote the construction management capacity of SMSCC, and assure the discipline of complete construction projects based on preset quality, schedule and cost in the domestic construction industry. Develop appropriate database system for the availability of structured and accessible data and information with the industry. Effective regulatory system, comfortable working environment, supplies updated technology, material and machinery. There are professionals and construction companies that must be passing through modernized certification and registration systems, and ensures occupational health and safety in place. Those mentions in the above, the benefits which the domestic construction industry must be gain through the active involvement of MoC in the construction industry in terms of discharging its responsibility.

According to the collected data the domestic construction industry is suffering because of the inefficient involvement of the MoC. For instance the construction industry face poor regulatory frame work, corruption, uncertain working environment, fragmented and unplanned stakeholders involvement, and wastages of resource and time lead the industry to nationally and international uncompetitive.

#### **4.6.2. The Benefits that the Construction Industry Gains through the Involvement of Construction Professionals:**

The demand for the construction sector in our country's development is growing rapidly. Despite this, the sector is facing challenges in delivering projects within the anticipated time, cost and desired qualities. One of the reason in this regard is the industry is facing corruption with shortage of skilled and responsible man power. In most cases those who run the domestic construction projects are business men who haven't enough knowledge about the construction industry. Accordingly, the involvements of construction professionals help to ensure that construction works are completed timely and fulfill the need of the economy.

Another benefit of engaging professionals in the industry is to improve the performance of the industry through introducing innovative technologies and there by replace the traditional method of undertaking construction works to enhance the industry's competitiveness. But the collected and analyzed data from secondary source assured that, the construction industry till demanding skilled and competent human resource, there is shortage of diversified human resource in balance to the industry demand.

#### **4.6.3. The Benefits that the Construction Industry Gains through the Involvement Contractors and Consultants:**

Based on the collected and analyzed data, the domestic construction industry must be beneficiary through ethical involvement of contractors and consultants in the industry. Accordingly, construction projects are complete based on the agreed quality, budget and timeframe, conduct construction projects which coincide with all laws, rules and regulations, enhance accessibility of constructions for elders and persons with disabilities, progress of construction projects review in a timely manner and necessary changes made along the way, welfare and safety facilities provide on the construction sites, accidents related to poor quality of construction works reduce, coast effective construction designs are applicable in the construction industry, well-designed construction projects implement so as

to important for well manage and effective land use, and assure the domestic construction industry for environmental impact assessment appropriate for green construction.

The data which collected from primary source assured that there is the gap between the industry demand and the commitment of contractors and consultants. The implications are some construction projects are not completed based on the agreed quality budget and time framework. This encourages the wide and divers corruption, extra wastage of capital, time and resource in the industry. There are small and medium scale construction companies in the domestic construction industry which must be become competent. Those SMSCC are unable to perform their role in the domestic construction industry. Because of these, the industry till face the challenge of accessibility for people with disability, construction project dalliance, welfare and safety problems, and accidents related to poor quality of construction etc.

#### **4.6.4. The Benefits that the Construction Industry Gains through the Involvement Construction Associations:**

The respondents from the construction associations assured that, in order to enables the industry to get a platform and continuously updating; the construction associations discharge their role through organize awareness creation on the current industry trends, developments, policies and strategies for the concerned bodies, provides an opportunity to plan and implement Continuous Professional Development (CPD) programs in large scale in an organized scheme in order to fulfill the gaps identified in the industry, enable to develop and implement systems to overcome problems the industry is everywhere facing.

Furthermore, promotes quality and add value in various aspects of the construction industry, address key issues in the industry, offer a unique insight, plays a major role in improving productivity within their perspective, enhances professional's career which supports the public's trust and the construction industry in general. Through these the construction associations build social and economic capital important for the industry.

The active involvement of diverse construction associations in the domestic construction industry provide conduits for gathering and disseminating information in their respective professions, they may act as a rallying point for trade missions or other activities, helping their members and the industry in general, they can provide advice and information to policy makers, ensure decisions and strategies conceived in meetings on the ground.

Based on the collected data, the construction associations did not support the domestic construction industry as mentioned above. The construction associations which actively participate in the domestic construction industry are small in number. There are 8 professional associations, 3 contractors associations and 2 consultant associations register by Ethiopian Charities and Societies Registration Agency (See Appendix1.3). Those associations hamper their activity through lack of enough capital, office and official equipment appropriate for implementing their roles. The association's entire annual budget covers by contribution of their members, gifts and sponsors, and also the construction associations face lack of office and office equipment's are the other.

#### **4.6.5. The Benefits that the Construction Industry Gains through the Involvement Financial Institutions:**

The assessed data assured that, construction is an expensive business it's difficult to be finance solely by investor's own savings. Even, on the side of government, many development projects in the area of power generation, telecom, buildings of airports and different infrastructure projects financed by financial institutions assistance and loans.

The financial institutions assist the industry based on loans and grants. These are appropriate for construction company's ability to expand and grow, undertake new projects, enter new markets, recruit new staff, tender for and manage current projects.

Based on the conducted interview, although the availability of finance through public, private and nongovernmental financial institutions seems improving these days, but the industry has continued to face limited access to finance. The problem accessing finance in

the industry faces multi-dimensional, especially for contractors, construction machinery leasing companies and residential real estate developers. Moreover, the loans that have been extended by banks for non-buildings for business have been facing repayment problems. There occurs also huge construction time and cost overrun due to mainly the doubling and even quadrupling of the prices of construction raw materials by increasing expenses more than initially depicted in feasibility studies. Thus, allocating sufficient financial resources for the construction sector is an important instrument for sustaining the current trend in the industry.

#### **4.6.6. The Benefits that the Construction Industry Gains through the Involvement Raw Material and Equipment Suppliers:**

According to the assessed data, the availability of construction equipment's and construction raw materials is one key determining factor for the development of the construction industry in a country. In this regard, what happens in the construction raw material and construction machinery is determines what will happen in the construction industry in terms of both encouraging and discouraging effects.

In regard to the assessed document, construction machinery and raw materials enough supply has an important effect on domestic construction industry. The positive impacts on cost and productivity can be seen as a natural driver towards material efficiency in the building industry. The importance of machinery and raw materials in relation to the investment costs of construction varies. Minimizing the loss of materials has a direct impact on the investment costs. On the other hand, better and appropriate flexibility in the design of spaces can also have a significant impact on the life cycle costs the construction industry. According to the conducted interview the local construction industry negatively treat by shortage of material and equipment supply. Additionally the cost of the material inflating time to time and the supply chain is poor, it consume excess time duration. This directly delays the construction projects in the industry. Even if the domestic production and supply of cement become encourage.

## **4.7. The Constraints that Negatively Affect Key Stakeholders Involvement in the Construction industry**

### **4.7.1. Constraints that Negatively Affect MoC Involvement**

The MoC is policy maker and regulatory body for the domestic construction industry, even though, there are challenges that face ministry's role in the industry. Among the constraints identified by primary and secondary source: Lack of experienced, competent and skilled manpower in the industry, corruption, in efficient budget and resource utilization, unethical bidding process, poor stakeholder's participation, low professionals, contractors and consultants capacity, rent seeking both in attitude and practice has taken the MoC upper hand.

Furthermore, the Ethiopian construction industry development policy direction is wide with compared to the MoC organizational structure. The coverage of CIDP is all construction activity including Buildings, Road Construction, Mega Projects, Sports Institutions and Stadiums. The collected and analysis data from both source assured that, the MoC give special attention only Building Construction. The remaining industry parts did not considered beside the ministry and its organizational structure.

The Ethiopian Construction Industry Development Policy implementation is through fragmented manner. For instance road constructions accomplish and regulate by Ethiopian Roads Authority, Construction mega projects carry out by Ministry of Irrigation and Electric, Sugar Corporation etc. and construction contract administration handle by Ministry of Finance and Economic Cooperation. According to the respondent, activity and power delegation have not a problem, but the problems are there have not common platform between them. Also the MoC did not regulate and coordinate the domestic construction industry based on CIDP. As policy maker and regulatory body the MoC must be act the all construction activity addressed by CIDP.

#### **4.7.2. Constraints that Negatively Affect Construction Professionals' Involvement:**

**Poor periodic assessment and CPD** - multi-disciplinary graduates from technical and vocational colleges and universities who join the industry is ever-growing. However, the quality and composition of these graduates is far less than the demand of the domestic construction industry. Besides, the professional certification system which is currently implemented in the country is not linked to periodic assessment and continuous professional development training.

**Poor University - Industry Linkage** - demanding practically and theoretically rich professionals is one of the behaviors of construction industry. It's applicable when university-industry linkage becomes strong. Higher education students must be support the program of actual building site practicum and conduct building site training for professionals who are unable to qualify the assessment and accreditation program offered by center of competency (COC).

In addition to these erratic work opportunities, poor regulatory framework, inadequate payment system and uncertain working environment negatively treated construction professionals in the domestic construction industry.

#### **4.7.3. Constraints that Negatively Affect Contractors' and Consultant's Involvement:**

According to the respondents, the participation of local contractors and consultants in the domestic mega projects is very low. Thus, in order to meet the national demand, the industry is currently seeking capable contractors and consultants from abroad who have the necessary capacity to deliver mega construction projects timely. Accordingly, the government decided with the agreement of foreign construction campiness, the domestics construction companies become participate in mega projects by sub-contracting method. Even thought, there is no construction sub-contracting directive in the industry and here is

poor regulation system for foreign construction campiness whether they keep or not their agreements. Because of these participation of local contractors in domestic mega construction projects becomes very low.

Furthermore, the collected data justify that, here are some constraints that limit the role of contactors and consultants in the domestic construction industry include shortage of capital, raw material supply and low credit facility, poor regulatory framework and mismatch contractors ranking, registration and licensing system, inflation, inefficient and non-transparent procurement system, shortage of experienced, competent and skilled manpower in the industry, poor and outdated construction machinery supply, erratic work opportunities, shortage of equipped construction laboratories, shortage of financial credit facilities,

#### **4.7.4. Constraints that Negatively Affect Constructions Associations Participation:**

The collected and analyzed data justifies that there are constraints upper hand construction associations role in the domestic construction industry. Including:

**Low participation of construction professionals in construction associations-** compared to construction professionals currently existing in the country, those involved as members in associations is very low. One among the reasons for this is, there is no regulatory or enforcing measure in this regard. Membership is a voluntary activity. Accordingly, the contribution that the industry is getting from the construction professionals and their association is minimal.

**Lack of appropriate budget, office and office equipment's-** all construction associations' annual budgets covered by their member's contribution. There is no budget allocation beside the government to support the professional associations. Accordingly, the construction associations face shortage of finance to implement their annual plans.

In addition to these the construction associations face poor sharing of knowledge with domestic and foreign similar associations and poor follow up mechanism on the implementation of their code of ethics by their member of assassins.

#### **4.7.5. Constraints that Negatively Affect Financial Institutions Participation:**

The financial institutions role in the construction industry face challenges multi dimensionally, especially the availability of sufficient finance for contractors, construction machinery leasing companies and residential real estate developers. Moreover:

- ✓ Sometimes, clients become bankrupt the loans that have been extended by financial institutions have been facing repayment problems. On the other hand the building construction consume also huge construction time and cost overrun due to mainly the doubling of the time and prices more than initially depicted in feasibility studies. These lead the loans that have been extended by financial institutions have been facing timely repayment problems and make shortage of the revolving process.
- ✓ Financial institutions disburse loans for the establishment or expansion of the construction projects upon appraising project proposals (feasibility studies) and securing sufficient collaterals, although it varies from one financial institution to another. The financial institutions are currently faced with a critical problem where the same investor obtains loans from different banks at the same time for the same project. This has led to serious repayment problems and legal complications.
- ✓ The underground foreign exchange market on the other hand, challenges the financial institutions hard currency accommodation from forex boost.

#### **4.7.6. Constraints that Negatively Affect the Involvement of Equipment and Raw Materials suppliers:**

As mentioned above and the collected data assured that, the industry has been suffering from shortage of construction raw materials and supply of equipment's to achieve the planned target in the industry. Shortage of raw materials has been one of the major factors which have been affecting the timely completion of construction projects in the country. Accordingly the materials suppliers face high production cost, inflation, in adequate supply chain, quality problems, shortage of enough capital, shortage of foreign currency and unfair computations in the market is negatively treated the materials and equipment production and supply process in the domestic construction industry.

#### **4.8. The Ways Appropriate for Key Stakeholder's Active Involvement in the Domestic Construction Industry**

##### **4.8.1. The Ways Appropriate for MoC Active Involvement:**

According to the conducted interview, the MoC create platform structure which is appropriate for key stakeholder's relations and cooperation with relevant public and private institutions come to strategically collaborate their efforts for the industry development. Co-operative among institutes must entail the effective and efficient use of resources, not wastage and duplication. It is interacting network of institutions at national, provincial and local levels, created and refined to enable the various stakeholders activity to cooperate in a manner which is appropriate to the domestic construction industry and also it creates relationship between the various governmental bodies occur at the horizontal and vertical levels, the relations will have positive impact on the delivery of services to the industry.

Regular and consistent meetings create an atmosphere where the success of CIDP can be assessed; potential problems can be identified in time and resolved before turning into a crisis. Creating a stage where industry problems get solutions by collaborative contribution and dialogue of stakeholders through establishing and bringing into effect of Construction

Industry Council, establish a certification system where professionals regularly assessed and their competency is checked, facilitating affluent supply of financial mechanisms and enhance budget utilization controlling system, develop the capacity of ministry experts through in job and out job training system, apply strong monitoring and evaluation system, enhance University-Industry linkage, develop strong regulatory frame work, prevent corruption and reengineer the MoC business process based on CIDP.

#### **4.8.2. The Ways Appropriate for Construction Professionals Active Involvement:**

The data collected from both primary and secondary source justly that, to enhance the construction professional's role in the construction industry:

- **Building the capacity of construction professionals** –continuous capacity building is necessary taking into consideration the demand of the industry. Besides, to make the existing formal training effective, there should be close link between training institutions and construction companies so as to strengthen the knowledge of the trainee acquire with the necessary skill. Furthermore, a system of continuous assessment and certification should be in place in order to enhance the performance of construction professionals working in the sector.
- **Creating conducive environment to make construction professionals competitive in the industry** - in order to enable the construction industry meet local demands and become internationally competitive, building the capacity of the chief actors, namely contractors and consultants is imperative. As these actors are encouraged to enter into the market, the possibility of construction professionals involve in the industry either as an employee or as contractors and consultants will be strengthened, it raise the competitive advantage on the side of job opportunity, wage increment, conducive working environment, etc . Thus, there is a need for policy or regulatory and capacity building support from the government in this regard.

### **4.8.3. The Ways Appropriate for Contractors and Consultants Active Involvement:**

The conducted interview indicates that, in order to enhance the role of contractors and consultants in the domestic construction industry multi dimensional capacity programs must be applicable. Beside, governmental enterprises like Ethiopian Construction Enterprise, Water Construction Enterprise, Metal and Engineering Corporation (METEC) etc are given a project without being a part of a bid which in turn limit the participation of other private contractors and consultants and make them out of the market. So the government must be give equal opportunity for public and private contractors and consultants. Develop sufficient construction equipment's and raw materials supply which satisfies the local construction industry needs, improve the capacity and performance of the contractors and consultants by designing different capacity building techniques, promote technological development and reject outdated technology, develop the method of experience sharing among domestic and international contractors and consultants, mobilization of adequate financial resources and offer enough financial loan system, creating favorable conditions for the local contractors and consultants to participate in mega construction projects. This will give them the opportunity to work with foreign contractors and lead to experience and knowledge transfer which enhance their involvement in the industry.

### **4.8.4. The Ways Appropriate for Construction Associations Active Involvement:**

- **Strengthening the collaboration with association**– based on the conducted interview the collaboration existing between government actors and construction associations is very low and hence there is no strong plat forms to encourage professionals accessions come close and contribute to the industry. Collaboration in this regard has mutual benefit as it help the professionals to get a plat form to ask for their rights and also contribute to the betterment of the industry.

- **Establishing Legal frame work to strengthen contributions of construction associations to the industry-** in order to encourage construction associations contribute to the domestic construction industry, it needs legal frame work that encourage professionals engagement in the associations.
- **Building the capacity of construction associations-** by letting construction associations participate in local and global forums, experience sharing, designing the method how the construction associations accommodate financial capital for the purpose of improve their financial capacity and performance. Besides, tailor made trainings should be jointly planned and implemented in order to strengthen the capacity of the associations and their members.

#### **4.8.5. The Ways Appropriate for Financial Institutions Active Involvement:**

According to the data collected from primary source, the same investor obtains loans from different banks at the same time for the same project. This has led to serious repayment problems of financial institutions and legal complications. This was mainly due to the loose information exchange among lender financial institutions regarding their clients. To avoid such bad debts, financial instructions must be offer bad debt protection services. Financial institutions themselves have to improve their collateral valuation system. The underground foreign exchange market has to be regulated so that banks role will increase as their income from forex boost.

#### **4.8.6. The Ways Appropriate for Construction Equipments and Raw Material Suppliers Active Involvement:**

The collected primary data justify that holding the ownership certificate of imported machineries for machineries bought by credit. This system would enhance the reduction of loan defaults. It is also important to encourage the capacity of suppliers so that import substitution would be possible. Availability of enough financial loans for the construction

equipment and raw material supplier is reducing the supplier's capital and hard currency shortage, create a successful market chain for domestic producers, encourage domestic manufacturers, attracting foreign direct investment, quality is also an important component of the construction materials quality control and quality enhancement mechanisms should be put in place.

## **Chapter Five**

### **5. Summary, Conclusion and Recommendations**

#### **5.1. Introduction**

The main purpose of this study was analyzed the role of key stakeholders in the Ethiopian construction industry. To this end, identify key stakeholders, the roles of key stakeholders, the benefits that the construction industry gain from the participation of those stakeholders, the constraints that affects those stakeholders and the way forward to enhance the contribution of key stakeholders in the construction industry assessed by using deep interview and document review. All the objectives and the major research questions of this research have been achieved. The following summary, conclusions and recommendations are drawn from the investigation undertaken on the research.

#### **5.2. Summary of Findings**

The main purpose of the study was analyzed the role of key stakeholders in the construction industry. The interview was address purposely selected 36 respondents of all key stakeholders and assed appropriate document including strategic plan of regulatory body, second growth and transformation plan of the country, regulation of national construction council inauguration, construction professionals, contractors and consultants licensing and certification directives, professionals, contractors and consultants associations code of ethics, charities and societies registration and regulation proclamation, construction industry development policy and different reports, literatures periodical magazines was deeply assessed.

As a result of having gone through the analysis and interpretation of the data obtained from interview and document review, come up with the following summary of findings.

- The Ministry of Construction plays a major role in the construction industry acts as regulatory body and policy maker. Hence, it advisable the MoC promote an enabling environment, devise a holistic, sustainable and accessible regulatory framework and

promotes stability in the construction industry. But there are gaps between the Ministry performance and the demand of the construction industry. Furthermore the ministry did not have a common plan all key stakeholders will share it especially governmental institutions which is the day to day activity of theme related to construction like road authority, irrigation and energy ministry, sugar corporation etc.

Shortage of experienced, competent and skilled manpower in the industry, poor coordination with the concerned bodies, corruption, in efficient budget and resource utilization, unethical beading process, poor stakeholder's participation, low professionals, contractors and consultants capacity, rent seeking both in attitude and practice has taken the MoC upper hand. As policy maker and regulatory body, the MoC create platform stricture which is appropriate for key stakeholder's relations and cooperation with relevant public institutions come to strategically collaborate their efforts for the industry development.

- Construction professionals are qualified and well trained persons contributing their specific knowledge and experience for successful completion of construction projects. preparation of designs including drawings, specifications, bill of quantities, contact agreements and conditions of contracts by using their knowledge and skill for the enhancement of human welfare and the development construction industry.

There are the gaps between the demand and supply of professionals in the domestic construction industry and also the variety and amount of construction professionals are limit with compared to the industry demand. Poor periodic assessment and poor University - Industry linkages limit the professional's role in the industry. Building the capacity of construction professionals and creating enabling environment to make construction professionals competitive in the industry is the recommended ways.

- Contractors and consultants are key stakeholders; they play irreplaceable roles in the domestic construction industry. In Ethiopia public and private contractors and consultants are involved in the domestic construction industry. The rents seeking behavior both in attitude and practices are negatively affect the domestic construction industry. Beside shortage of capital, raw material supply and low credit facility, poor regulatory framework and mismatch contractors ranking, registration and licensing system, inflation, inefficient and non-transparent procurement system, shortage of experienced, competent and skilled manpower in the industry negatively treat their role.

In order to enhancing contractor's and consultant's participation in the domestic construction industry available sufficient raw materials supply, improve the capacity of local contractors and consultants through experience sharing among domestic and international contractors, offer enough financial loan system and creating favorable conditions for the local contractors and consultants to participate in mega construction projects are some of the recommended ways.

- The constructions associations are legal institutions provide comprehensive betterment to the construction professionals, contractors and consultants. The associations give feed backs in the preparation of legal frame works that the industry well be guide, involve in conference and seminars important for idea and knowledge sharing. Even if shortage of capital, lack of office and official equipment, limited participation of members their association and lack of enforced rule and regulations are some of the limitation that affect the role of construction associations in the construction industry.

The collaboration existing between government actors and construction associations is very low and hence there is no strong plat forms to encourage construction accessions come close and contribute to the industry. Designing the method how the

construction association accommodate financial capital should be created to help them improve their capacity and performance.

- Public and private financial institutions, financial donors, banks, insurances and saving and credit institutions with work to the construction industry by offering loans and credits could support sustainable regional and local construction activities. Based on the findings domestic construction industry and local construction companies face shortage of finance and because of it the industry negatively affects on many areas included the company's ability to expand and grow, undertake new projects, enter new markets, recruit new staff, tender for and manage current projects.

The financial institutions are currently faced with a critical problem where the same investor obtains loans from different banks at the same time for the same project. Financial institutions themselves have to improve their collateral valuation system. This will help solve the problem of over valuation which is a common challenge. The underground foreign exchange market has to be regulated so that financial institutions role will increase as their income from foreign exchange boost.

- The role of construction machinery and raw material supplier is the domestic construction industry able to have the right materials, in the right quantities, at the right quality, at the right cost. The goal is to reduce costs and duration of site activities. Even though the industry has been suffering from shortage of construction raw material to achieve the planned target in the industry. Shortage of raw materials has been one of the major factors which have been affecting the timely completion of construction projects in the construction industry.

Domestic production and supply of construction raw materials have been far less than domestic demand, thereby resulting in widening gap and increasing price. This led to high imports of construction materials which led to inflationary pressure. Particularly encourage for local manufacturers, attracting foreign direct investment,

quality control and quality enhancement mechanisms should be put in place. Creating a successful market chain for domestic producers is an ideal engagement to increase the market in the sector.

As a result of having gone through the analysis and interpretation of the data obtained from both primary and secondary source, come up with the following conclusions and recommendations.

### **5.3. Conclusion**

The main purpose of this research is investigating the roles of key stakeholders in domestic construction industry. Based on the analysis of data collected via interview and review of different documents, the role of key stakeholders in the domestic construction industry is analyzed.

There are public and private key stakeholders involved in the domestic construction industry. The government of Ethiopia play significant roles through MoC, as the owner and key stakeholder of the industry by deliberate and provide direction on policy ideas and promoting an enabling environment for the industry. The construction professionals, contractors and consultants also play their roles by organizing the project resources to execute project activities on time, with the appropriate quality and cost. On the other side construction associations assist the industry by prepare code of ethics and enforce their members the implementation of it and conduct researches important for fill the gaps that face construction industry, maintain and improve the quality of built environment. By provide enough and timely finance and resource, financial, raw material and machinery suppliers encouraging sustainable constructions. In general, the activity which maintained above assist the industry on the side of wastage minimization, complete the construction projects efficient and effective manner and assuring value for money in construction industry.

Even though, according to the interview and revised document, all key stakeholders which involve the industry is not playing their role absolutely. For instance the MoC did not have enough rule and regulations for the complete implementation of ECIDP, all construction associations have not code of ethics which guide their members, the industry suffering by shortage of finance, construction machinery and raw material supply. Likewise, the key actors (professionals, consultants and contractors) did not apply their role in accountability; projects are not completed according to a preset schedule, cost and quality.

There are some challenges that face the key stakeholder's engagement. Shortage of hard currency, corruption, inefficient budget and resource utilization, inflation, shortages of raw material supply, weak regulatory framework, poor university - industry linkages, lack of appropriate budget and shortage of capital, mismatch registration and licensing system, insufficient and non-transparent procurement system and erratic work opportunities.

Therefore, there are some phases to minimize the constraints and enhance the roles of key stakeholders in the construction industry. Among, the MoC must be creating platform structure which is appropriate for inter-governmental relations and the active involvement of stakeholders in the construction industry, key stakeholders come to strategically collaborate their efforts for the industry development, create public-private relationship occur at the horizontal and vertical levels, establish a certification system where professionals regularly assess, facilitating affluent supply of finance, raw material and construction machinery, promote University-Industry linkage and prevent corruption in the industry.

In general building the capacity of construction professionals, contractors and consultants, creating conducive environment to make them competitive in the industry, strengthening the collaboration with construction associations, establishing legal framework to strengthen contributions of key stakeholders, develop domestic construction raw materials supply, improve the capacity and performance of the stakeholders by designing different capacity building techniques, promote technological development, mobilization of adequate financial

resources and effective communication is very vital for getting the support, commitment and increased involvement of key stakeholders in the construction industry.

According to analysis and decision the current stakeholders' participation in the construction industry is fragmented and public and private institution which involved in the construction industry have not common annual plan and have not memorandum of understanding between them. But the activity of all key stakeholders must be stringing and needed effective cooperation and collaboration with the industry. The irrespective of the involvement of key stakeholders regarding their role and contribution of the sustain construction industry does not providing sustainable construction industry and the necessary infrastructures that stimulate economic activity to assure the goal of the country become middle-income country by 2025.

#### **5.4. Recommendations**

On the basis of the analysis, dissension and conclusions, the following recommendations have forwarded.

- ❖ For the active involvement of all key stakeholders, faster the process of establishing and bringing into effect of CIC is mandatory. The CIC is till at forming path and it takes more than 4 years to organize and start work. So the concerned body must take immediate action to the end of this long process and start work the council as soon as possible. Collaboration in this regard has mutual benefit as it help the key stakeholders to get a plat form to ask for their rights and also contribute to the betterment of the industry.
- ❖ Taking into account the role of key stakeholders in the construction industry, the MoC there is a need to design appropriate legal and regulatory framework that encourages and facilitates the growth of the industry through providing an enabling environment in which viable construction activity might expand.

- ❖ Continuous capacity building is necessary taking into consideration the demand of professionals, contractors and consultants in the industry. Besides, to make the existing formal training effective, there should be close link between training institutions and construction companies so as to strengthen the trainee acquire with the necessary skill.
- ❖ Professional and technical training opportunities in Ethiopia and abroad must be increased and made available to contractors, consultants, construction professionals and construction associations. This will enable them to increase the level of technology and professional education must be reviewed and upgraded.
- ❖ The MoC shall revise the construction professionals, contractors and consultant's registration and licensing directive that deter them from the active participation from the industry.
- ❖ Improve information exchange system among lender financial institutions regarding their clients, financial institutions themselves have to improve their collateral valuation system and underground foreign exchange market must be regulate.
- ❖ The construction raw materials manufacturers initiate the production of construction raw materials that were not produced before and increase the domestic production of the critical construction materials that have been produced in the country.
- ❖ The MoC establish construction industry research center that will undertake research on the industry. The research could include efforts to substitute imports of critical machinery and raw materials through domestic production.
- ❖ The MoC take strong measure to contain the widespread corrupt practices in the industry, and ensure compliance of the work done to the specified quality.
- ❖ The MoC undertake, at least, macro level construction industry planning exercise that looks at the industry holistically including the total volume of major raw

materials' requirement for the planned activities, the domestic availability, the foreign currency requirement for materials' import, the domestic construction capacity, etc.

- ❖ The MoC create platform stricture which is appropriate for key stakeholder's relations and cooperation with relevant public and private institutions come to strategically collaborate their efforts for the industry development.
- ❖ The MoC must strengthen the involvement of key stakeholders in the industry by provision of annual conferences; apply common plan, strong monitoring and evaluation mechanisms.
- ❖ Develop the capacity of MoC expert's through in job and out job training system, enhance the ministry budget utilization controlling system, apply strong monitoring and evaluation system and reengineer the Moc business process based on CIDP.

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## Appendices

### Appendix 1.1. Professionals Category, type and Levels (Register by MoC)

Professionals Category	Type and Levels of Professionals	Ref.
Construction Professionals	Graduate Engineer and Architects	
	Professional Engineers	
	Graduate Associate Engineer	
	Associate Engineer	
	Graduate Junior Associate Technicians	
	Graduate Engineering Aid	
	Engineering Aids and Junior Engineering Aids	
Building Works	Professional Architects and Engineer	
	Graduate Architects and Engineers	
	Associate Engineers	
	Graduate Associate Engineers	
	Junior Associate Engineers	
	Graduate Junior Associate Technician	
	Engendering Aides	
	Graduate Engendering Aides	
Water Sector	Professional Water Supply Engineer	
	Professional Irrigation and Hydraulics Engineers	
	Professional Water Resource Engineering and Hydrologist	
	Graduate Irrigation, Hydraulics, Hydrologist, Water Supply Engineers	
	Associate Engineer	
	Graduate Associate Engineer	
	Engendering Aides	
	Graduate Engendering Aides	
Road and Transport Sector	Professional Material Engineer	
	Professional Geologist	
	Graduate Geologist	
	Professional Highway Engineer	
	Professional Location Engineer	
	Professional Engineering Geologist	
	Professional Bridge Geologist	
	Associate Engineers	
	Graduate Associate Engineers	
	Engendering Aides	
	Graduate Engineering Aides	
Practicing Professionals (Building Sector)	Practicing Architect	
	Practicing Structural Engineer	
	Practicing Sanitary Engineer	
	Practicing Electrical Engineer	
	Practicing Mechanical Engineer	
	Practicing Quantity Surveyor	
	Practicing Surveyor	
Practicing Professionals (Water)	Practicing Irrigation Engineer	
	Practicing Irrigation Engineer	

Sector)	Practicing Hydraulics Engineer	
	Practicing Water Supply and Sewerage Engineer	
	Practicing Sanitary Engineer	
	Practicing Hydrologist	
Practicing Professionals (Road Sector)	Practicing Highway Engineer	
	Practicing Pavement Engineer	
	Practicing Location Engineer	
	Practicing Bridge Engineer	
	Practicing Foundation Engineer	
	Practicing Materials Engineer	

#### Appendix1.2. Lists of Contractors (Register by MoC)

Contractors Category	Constructers Rank	Registered number
Building Contractors (BC)	BC 1	113
	BC 2	69
	BC 3	163
	BC 4	584
	BC 5	841
	BC 6	37
	BC 7	77
	BC 8	194
	BC 9	118
	BC 10	8
Road Contractors (RC)	RC 1	5
	RC 2	1
	RC 3	15
	RC 4	2
	RC 5	0
	RC 6	21
	RC 7	9
	RC 8	6
	RC 9	30
	RC 10	2
General Contractors (GC)	G C 1	66
	GC 2	14
	GC 3	18
	GC 4	5
	GC 5	433
	GC 6	877
	GC 7	863
	GC 8	2017
	GC 9	636
	GC 10	34

Appendix 1.3. Lists of Construction Associations (Register by Ethiopian Charities and Societies Registration Agency)

Associations Type	Associations Name
Professionals Association	Ethiopian Mechanical Engineers Association
	Ethiopian Surveying Professionals Association
	Ethiopian Architects Association
	Chemical Engineering Professionals Association
	Ethiopian Electrical Engineering Professionals Association
	Urban Planners Association
	Ethiopian Construction Technology and Management Professionals Association
	Ethiopian Civil Engineers Association
Contractors Association	Ethiopian Female Contractors Association
	Ethiopian Grade One Contractors Association
	Ethiopian Contractors Association
Consulting Association	Ethiopian Consulting Engineers & Architects Association
	Ethiopian Water Construction Consulting Association

Appendix 1.4. Lists of Public and Private Banks (Register by National Bank of Ethiopia)

Owner of Banks	Name of Banks
Public	Commercial Bank of Ethiopia ( CBE)
	Development Bank of Ethiopia (DBE)
Private	Abay Bank S.C
	Addis International Bank S.C
	Awash International Bank (AIB)
	Bank of Abyssinia
	Berhane International Bank
	Bunna International Bank
	Cooperative Bank of Oromia (CBO)
	Dashen Bank
	Debut Global Bank
	Enat Bank
	Lion International Bank (LIB)
	Nib International Bank (NIB)
	Oromia International Bank (OIB)
	United Bank
	Wegagen Bank
Zemen Bank	

Appendix 1.5. Lists of Insurances (Register by National Bank of Ethiopia)

Owner	Insurans Name
Public	National Insurance Company of Ethiopia S.C.
Private	Africa Insurance Company S.C
	Awash Insurance Company S.C
	Global Insurance Company S.C.
	Lion Insurance Company S.C
	NIB Insurance Company
	Nile Insurance Company S.C
	Nyala Insurance Company S.C
	The United Insurance S.C
	Ethiopian Insurance Corporation
	Abay Insurance Company
	Berhan Insurance S.C.
	Oromia Insurance Company S.C.
	Ethio-Life and General Insurance S.C.
	Tsehay Insurance S.C.
	Lucy Insurance S.C.
	Bunna Insurance S.C.

Appendix 1.6. Lists of Construction Raw material Manufacturers (Register by Ethiopian Investment Commission)

Business Type	Company's Name	Owner
ELECTRIC WIRE AND CABLE	EURO CABLE PLC	
	ELSWEDY CABLES ETHIOPIA PLC	
	F.D.R.E Metals & Engineering Corporation (Ethiopian Power Engineering Industry)	
	BMET energy telecom industry & trade LLC	
	Bekrobe Business Group PLC	
	BELAYAB CABLE MANUFACTURING PLC.	
	Terra Wire PIC	
	Power Blue Nile Wier and Cabel Factory	
Cement Factories	PIONEER CEMENT MANUFACTURING PLC	
	ZHONGSHUN CEMENT PLC)	
	NATIONAL CEMCNT S.C	
	NATIONAL CEMCNT S.C	
	ABYSSINIA CEMENTS PLC	
	MUGER CEMENT ENTERPRISE	
	DASHEN CEMENT FACTORY	
	MESSEBO BULIDING MATERIALS PRODCION PLC	
	EAST CEMENT S.C	
	INCHINI BEDROCK CEMENT P.L.C	
	CAPITAL CEMENT MILLING AND PACKING PLC	
DERBA MIDROC CEMENT PLC		

Business Type	Company's Name	Owner
	TURE DIRE DAWA CEMENT	
	DANGOTE CEMENT FACTORY	
	Ethio Cement	
	Abesha Cement	
	Fen Huang cement plc	
Sofumer Marble & Terazzo PLC	Sofumer Marble & Terazzo PLC	
Lamp	Yufei Electronics PLC	
Nail	Asmen PLC	
	Mohan Waire	
	Adama Steel Factory	
	Dirar G/Yohannes Metal Factory	
	Zeneb Firew Nail Factory	
Plastic Material	Excel Plastic	
	Star pipe and fittings	
	Ethio plastic Industry	
	Bruh Tesfa Irrigation & Water Technology PLC	
	Hansem Konfenegeda PLC	
	Tana drilling & industries plc	
	Maruti plastic industry plc	
Reinforcement Bar Factories	EAST STEEL PLC	
	STEELY RMI PLC	
	Abysinya Integrated Steel PLC	
	Habesha steel plc	
	C and E Brothers Metal Factory	
	Ethiopian Iron and Steel Factory	
	Sentinel Steel PLC	
	Zhen zhen Iron Industry Manufacturing PLC	
	Yesu PLC	
Galvanized Corugeted Steel Sheet Factories	WORKSEW LEGESSE ESHETE METAL ENGINEERING	
	D.H GEDA GIS factory plc	
	ETHIOPIAN STEEL PLC	
	KOMBOLCHA STEEL PRODUCTS INDUSTRY PLC(gelan)	
	Alem Steel Pvt. Ltd. Co	
	KALITI METAL PRODUCTS FACTORY	
	ARTI STEEL PLC	
	GENA -MOGES INTERNATIONAL TRADING PLC	
	ASHBATE PLC (raw material shortage)	
	SELAM STEEL FACTORY	
	ALEM GENET TRADE AND INDSTRY PLC	
	HADID TRADING plc	
	ROMANAT CORRUGATED IRON STEEL FACTORY PLC	
	ADAMA STEEL FACTORY	
	BMK general trading plc TILA sheet factory.	
HAWASSA CORUGATED SHEET & NAIL FACTORY PLC.		

Business Type	Company's Name	Owner
	Star buisness group plc	
	MEKBIB DESTA IMPORTER	
	Akaki Metal products	
	ETHIO TIKURE ABAY	
	Edel Hagose steel factory	
	OMOTIC GENERAL TRADE PLC	
	YESU PLC	
	Huwange Bifang	
	Ayam Steel Sheet Factory	
	A T E S Industryal Trading PLC	
	Wedenaime Trading PLC	
	Jerr PLC	
	Gelela International PLc	
	Dirar G/Yohannes Metal Factory	
	AV Industries PLC	
	Berwako	
	Dashin steel sheet and Nail factory	
	BERITREAD PLC	
	Tadesse Felate plc	

## Appendix 2

### **Semi-structured interview questions for Higher Officials, Managers, Directors, Association leaders**

Dear Respondents!

The purpose of this interview is to gather information from construction industry key stakeholders and regulatory body; to analyze the role of key stakeholders in the construction industry. The research is being conducted by a staff member of Ministry of Construction and student of Addis Ababa University who is a Master of Art candidate at Graduate School of Business and Economics. The information provided will be kept confidential and the response that you reply will not be used for any other purpose other than this research work and will have no effect on your business. So be free and give your honest and genuine response.

### **Semi-structured interview questions for officials holding managerial position**

#### **I. General questions**

1. Could you please tell me the background of your organization?
2. How long have you been involve in the construction industry?
3. Could you please explain your role and in what sort of position /profession are you involve in?

#### **II. For policy makers and regulatory body (Government Body)**

1. Who are key stakeholders for the Ethiopian construction industry?
2. What are the roles of key stakeholders in the construction industry?
3. What is the most important thing in the involvement of key stakeholders in the construction industry?
4. What are the challenges that negatively affect the involvement of key stakeholder's in the construction industry?
5. How do you manage your relationships with stakeholders? Do you have a formal process for stakeholder's analysis and management? If yes could you please describe? If not do you undertake any of these processes on an informal basis?
6. What are the benefits that the construction industry gains through the involvement of key stakeholders?
7. What is your plan for the improvement of key stakeholder's engagement in the construction industry?
8. What is your opinion about the involvement of key stakeholders in the construction industry?

#### **III. For key stakeholders**

1. What is your opinion about the involvement of key stakeholders in the construction industry?
2. What is your role in the construction industry?
3. Which way your organization participate in the construction industry?
4. In which level your organization involve in the construction industry?
5. What are the challenges related to your involvement in the construction industry?
6. What are the benefits that the construction industry gains in your involvement?
7. How do you manage your relationships with the regulatory body i.e. the Ministry of Construction? Do you have a formal process for your participation? If yes could you please describe? If not do you undertake any of these processes on an informal basis?
8. What are your benefits that gain from the construction industry involvement?
9. What is your recommendation for the improvement of key stakeholder's engagement in the construction industry?