COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

FACTORS AFFECTING THE GROWTH OF CONSTRUCTION COMPANIES IN THE CASE OF ADDIS ABABA

A Thesis Submitted to the School of Graduate Studies of Addis Ababa University in Partial Fulfillment of the Requirements for the Degree of Master of Business Administration

BY: Mr. Belaysew Fenta

Advisor: Hailemariam G. (PhD)

February 2024

Addis Ababa

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DECLARATION

I, Belaysew Fenta, hereby declare that the study entitled "**Factor affecting the growth of construction companies: in the case of Addis Ababa**" is my original work and has not been presented in Addis Ababa University or any other University. I have carried out the study independently with the guidance and support of the research advisor Hailemariam G. (PhD). All other contributors or sources used for the study have been duly acknowledged.

Belaysew Fenta  21/02/2024

Signature **Date**

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ABSTRACT

This research focused on examining the factors that influence the growth of construction companies in Addis Ababa. Unfortunately, the recent growth of construction companies in Addis Ababa has been unsatisfactory. Some struggle to remain active in the industry, while others remain inactive for extended periods or are forced to exit the market. The study utilized both descriptive and explanatory research methods. Primary data was collected through questionnaires administered to contractors ranging from grade 1 to grade 10. A representative sample of 250 valid respondents was selected to represent a total of 1,638 construction companies, using a stratified random sampling technique. The collected data was analyzed using descriptive statistics and inferential statistics. The findings of the study revealed robust correlations between the six independent variables (human resources, leadership, organizational culture, governmental policies and regulations, corruption, and political instability) and the dependent variable of growth, with a 95% confidence interval. Furthermore, these six independent variables explained 79% of the observed growth. Regression analysis results indicated that four of the independent variables (human resources, leadership, organizational culture, and governmental policies and regulations) had a positive and statistically significant effect at a 5% significance level. Conversely, the remaining two factors had a negative effect but remained statistically significant at a 95% confidence interval. Based on these findings, it is recommended that construction companies prioritize the development of their human resources to cultivate a skilled workforce. Additionally, fostering strong leadership is crucial for driving innovation and success within the industry. Furthermore, companies should strive to create an organizational culture that values efficiency and collaboration, as this promotes sustained growth. On the governmental level, it is important to implement and enforce transparent construction policies, actively combat corruption through rigorous measures, and streamline permitting processes to facilitate the growth of construction companies. By addressing these factors, construction companies in Addis Ababa can position themselves for improved growth and success in the industry.

Keywords: *Human resource, Leadership, Organization culture, Governmental policy and regulation, corruption, political instability and Growth.*

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LIST OF ABBREVIATIONS/ACRONYMS

COVID-19 -Coronavirus

SMME - Small, medium and micro enterprise

GTP II- Second Growth and Transformation Plan

GC- General contractor (GC),

BC - Building contractors (BC)

RC- Road contractors (RC).

MoWUD - Ministry of Work and Urban Development

NBE -National Bank of Ethiopia

SPSS -Statistical Package for Social Science

GDP-Gross Domestic Product

CHAPTER ONE

INTRODUCTION

1.1 Back Ground of the Study

The growth of construction organization in Ethiopia driven by the development plan which prioritizes infrastructure development including buildings, road construction, railway, real estate, irrigation systems and industrial parks. These infrastructures have relatively high foreign direct investment, particularly from China, India and Turkey (Ricardo, 2022).

Nowadays there has been a large-scale investment in the Ethiopian construction industry. Ethiopian government and private sectors have been investing widely for the development of infrastructures. This industry has many participants that play a major role in the functioning which contractors take the main part. Among these parties, contractors have a greater role to play in the development and execution of works in the construction industry (Biruk, 2019).

According to the information obtained from the Ministry of Construction of Ethiopia, there are totally 6800 contractors registered for 2009 budget year. Ethiopia's formal construction sectors consist of local and foreign contractors and all contractors are required to be registered with the Ethiopian ministry of urban development and construction (Adimkew, 2020). These contractors have different grades, capacities, organizational characters, and performances depending on many factors. The capacity, performance and competitiveness of these contractors have a major impact on their overall well-being, development and progress from smaller grades to upper ones. Among these numbers of contractors, 50% of them (i.e. 3396) are from grade 7 up to grade 10. Low grade construction companies operate in the informal market and high grade and foreign companies works in the formal market.

According to the directives for registration of contractors obtained from Ministry of Urban Development and Construction, GC (General Contractors) are contractors who are qualified to undertake a variety of construction work such as building, dams, airports, roads railways bridges water works. BC (Building contractors) are contractors who are qualified to undertake building construction and supplementary works to buildings. RC (Road Contractors) are contractors who are qualified to undertake construction of roads and other related Civil Engineering works. If portion of the project work that requires specialization exceeds 15 percent of the total project cost, that part is to be subcontracted out to the appropriate specialized contractor. SC (Specialized

Contractors) are contractors who are qualified to undertake construction activities in specialized fields as classified under the sub-categories like painting and decorations (SC-PD), sanitary Installation (SC-SI), Wood and Metal Works (SC-WM) and Landscaping (SC-LS).

The Ethiopia contractors are imagined to play a vital role in economic growth. Moreover, producing structures that add to productivity and quality of life. Since construction is labor-intensive, when the sector is working at full capacity, large sections of the nation's work force are active (Esayas, 2020). It is important to understand that the growth and progress of the construction organizations are closely linked to the country's GDP. Therefore, improving Ethiopia's GDP should be prioritized to ensure economic stability and prosperity for the construction organizations. Once the organizations are stable, it can serve as a major contributor to the country's GDP (Abubakar 2018). Mohamed (2018) results revealed that the complexity of the business environment of construction organizations calls for an understanding of the factors affecting their growth, especially in developing economies such as Ethiopia, which deliver suboptimal contributions to economic development compared to developed nations.

In the Ethiopian construction industry, contractors have many challenges on their progress and performance. Regulatory frameworks and policies also exert a profound impact on the growth of construction organizations. Government regulations related to land use, zoning, building codes, and environmental compliance shape the operating environment for construction firms (Aghimien et al., 2016). Compliance with regulatory requirements is essential for securing permits, approvals, and contracts, but regulatory complexity can pose challenges for firms, particularly smaller enterprises (Cooke & Williams, 2017). Technological advancements are driving transformative changes in the construction industry and influencing growth patterns. Adoption of digital technologies such as Building Information Modeling (BIM), drones, and prefabrication methods enhances productivity, efficiency, and project delivery outcomes (NRC, 2018; CIOB, 2019). However, barriers to technology adoption, such as cost, skills gaps, and resistance to change, can hinder the growth potential of construction organizations (Betz, 2016). Social factors, including demographic trends, labor availability, and societal expectations, also impact the growth dynamics of construction organizations. Demographic shifts, such as urbanization and aging populations, influence the demand for different types of construction projects, such as housing, healthcare facilities, and transportation infrastructure (Eurostat, 2017).

The existing literature on factors affecting the growth of construction organizations reveals gaps in understanding the following key factors: human resource, leadership, organizational culture, governmental policies and regulations, corruption, and political instability. These factors are crucial in shaping the growth of construction companies, yet further investigation is needed to understanding their specific impact.

This study aims to address these gaps by examining and evaluating the existing literature, research studies, and theoretical frameworks relevant to these factors. For instance, there is a need for more in-depth research on human resource practices and strategies that positively influence growth, such as talent management and workforce development (Walker et al., 2018). Similarly, limited research exists on the specific leadership styles and behaviors that drive growth in the construction industry, with studies emphasizing the significance of transformational leadership (Huang et al., 2017). The impact of organizational culture on growth requires further exploration, particularly in understanding how specific cultural attributes foster growth and adaptability within construction firms (Zhang et al., 2019; Shao et al., 2020). Additionally, there is insufficient research on how governmental policies and regulations influence growth dynamics in the construction industry, including the importance of government support, infrastructure development policies, and efficient regulatory systems (Osei-Kyei & Chan, 2018). Lastly, while the detrimental effects of corruption and political instability on construction projects have been studied, there is a need for comprehensive research on their broader impact on organizational growth (Aibinu & Jagboro, 2002).

In summary, studying factors affecting the growth of construction organizations is significant for informing strategic decision-making, provide a background information for newly emerging construction organizations, addressing challenges of constructions companies, and contributing to knowledge and research in the field.

1.2 Statement of the Problem

The construction organizations have a significant contribution on the economic growth. It is a crucial element for the development of a country. Furthermore, it contributes to job creation and the employment of a large number of human resources and employment has slightly improved over the years (Esayas, 2020). For instance, according to assessment of the 2019 Labor Force Survey (LFS) that 2.5% of the total employed persons in the country, which was around 5 million,

were in the construction organizations. According to Biruk (2019) the construction organizations can be used as a measure of a country's growth since it plays an important role in the social, economic, and political development of a country.

However, many contractors in Addis Ababa face significant challenges that hinder their growth. Construction companies in Addis Ababa faced many challenges that impede their progress, with marketing and financial factors being the most notorious (Admikew, 2020). The war in the northern region of the country has affected construction projects in the area and resulted in the destruction of infrastructure and stopped the ongoing projects. The construction companies that are found in Addis Ababa have faced many challenges on their progress and performance while on the other hand opportunities that lead them for success (Esayas, 2020). The findings of Biruk (2019) revealed that, growth of construction companies in Ethiopia are inadequate. Some struggle to persist within the industry, others remain inactive for prolonged periods, and some are forced to exit the sector. This study has identified a gap in the previous literature regarding the lack of in-depth analysis and understanding of the specific challenges faced by construction companies in Addis Ababa. These challenges hinder their growth and contribute to inadequate overall growth.

Given the vital role of contractors in the construction industry, it is crucial for them to understand the specific challenges they face and the factors that limited their growth. Additionally, comprehending how to overcome these obstacles is essential for successful integration within the industry. Therefore, this study aims to address the factors affecting the growth of construction companies in Addis Ababa. Specifically, it will examine the impact of human resources, leadership, organizational culture, governmental policies and regulations, corruption, and political instability on the growth of these companies. By gaining a comprehensive understanding of these factors, construction companies can incorporate them into their growth strategies, thereby mitigating their negative impact and fostering sustainable long-term growth in the industry.

1.3 Research Objective

1.3.1 General Objective

The general objective of this study is to examine the factors that affect the growth of construction companies in Addis Ababa Ethiopia.

1.3.2 Specific Objectives

- To investigate the effect of human resource on the growth of construction companies.
- To identify the influence of leadership on the growth of construction companies.
- To investigate the effect of organization culture on the growth of construction companies.
- To identify the influence of governmental policies and regulations on the growth of construction companies.
- To investigate the effect of corruption on the growth of construction companies.
- To identify the effect of political instability on the growth of construction companies.

1.4 Research Questions

- What is the effect of human resource on the growth of construction companies?
- What is the effect of leadership on the growth of construction companies?
- What is the effect of organization culture on the growth of construction companies?
- What is the effect of governmental police and regulations on the growth of construction companies?
- What is the effect of corruption on the growth of construction companies?
- What is the effect of political instability on the growth of construction companies?

1.5 Significant of the Study

This study has a major significance for various stakeholders involved in the construction industry. According to Ayodeje (2017) study's, stakeholders in the construction industry include clients, creditors, contractors, subcontractors, material suppliers, consultants, engineers, local government which is regulators and police makers of in this sector. For clients can use this study to identify construction companies that are well-positioned to meet their needs and goals. creditors can use this research to identify construction companies that are likely to generate high returns on investment. For contractors, subcontractors and material suppliers can use this research to identify construction companies that are reliable and financially stable.

Consultants and engineers can use this study to identify construction companies that are capable of delivering high-quality work on complex projects. Local government can use the result of this research to identify construction companies that are committed to improving public infrastructure and services. For regulators can also draw from insights revealed in this study to establish standards

of compliance in order to protect the interest of various stakeholders. The finding of this study will important to policymakers in the construction industry when they developing progressive policies that promote the growth and sustainability of this important sector. The research will also give good background information about newly emerging construction companies that should be aware of the industry environment before they join in to it. In addition to these, this study can serve as a reference to subsequent research works.

1.6 The Scope of the Study

There are different types of construction companies in the construction business classified based on their size (from grade 1 to grade 10), owner states (private or government) and location of their head office (Addis Ababa or outside Addis Ababa) and also construction companies can be classified foreign and local construction companies. However; this study will focus on only selected private local contractors that are geographical found only in Addis Ababa city and they should have more than five years of experience in the industry. The time and logistical constraints will not permit to go to each and every construction companies of Addis Ababa. In order to overcome this problem, the researcher was select representative contractors and concerned regulatory bodies of government for information provider of the research. The study used quantitative research method to investigate the factors affecting the growth of construction companies in Addis Ababa.

1.7 Limitation of the Study

This study only focuses on construction companies located in Addis Ababa. However, it would be beneficial to include a representative sample from regional cities to ensure more strong and comprehensive conclusions. Additionally, while numerous factors affect the growth of construction companies, this study chooses to investigate only six specific factors. These factors were selected based on their alignment with prior research, practical significance, and theoretical relevance for construction organizations. Through the examination of these factors, the researcher aims to understand their individual and collective influence on the growth of construction organizations and to offer valuable insights for stakeholders concerned with the industry's development.

CHAPTER TWO

RELATED LITERATURE REVIEW

In this chapter, issues concerning factors affecting the growth of construction companies, which provide insight in to the area of study, was discussed. In this chapter, the theoretical, empirical, and conceptual literature that focused on the research objectives was reviewed as indicated hereunder.

2.1 Definition and Concept of Company's Growth

"Growth can be defined in provisions of income generation, value addition, and expansion in terms of volume of the business. As well this, it can also be evaluated with qualitative features like market share, product quality, and customer satisfaction" (Gupta et al., 2013). Company's growth is any company whose business generates significant positive cash flows or earnings, which increase at significantly faster rates than the overall economy. A growth company inclines to have very profitable reinvestment opportunities for its own reserved earnings. Thus, it typically pays little to no dividends to stockholders, opting instead to put most or all of its profits back into its expanding business (Jarvis & Collines, 2002). Firm growth has impact on employment, industry concentration, firm survival and economic activity are reasons enough for it to be considered an issue of crucial interest (Campi et al., 2023).

Gupta et al. (2013) on their academic study of rising firms, they have done that business move through five different stages of growth. These five stages and crises of expansion are creativity, direction, delegation, coordination, and collaboration.

Construction company growth refers to the increase in size, revenue, and market share of a construction company over time. It is a measure of the success of a company in the construction industry (Afolobi et al., 2019). Growth refers to construction organization's ability to win construction contracts and is thus measured by the number and value of contract awarded and successfully completed (Deng & Smyth, 2013). The growth of a construction company can be achieved through various means, such as expanding into new markets, increasing the number of projects undertaken, improving operational efficiency, and investing in new technologies (Nuhamia, 2019). The contractors' growth stage refers to the situation where an enterprise that is receiving enterprise development support services, demonstrates its competitiveness in the market

in terms of price, quality and productivity as well as offers credible evidence as to its long-term profitability. A successful enterprise at this stage is expected to achieve significant increases in the number of its employed workers and total assets. In addition, the enterprise shall have already established a standard financial record keeping system (Admikew, 2020).

2.2 Measuring the Growth of Construction Organizations

Measuring organizational growth helps top management in evaluating and enhancing performance (Harden and Upton, 2016). Gibrat's law, also known as Gibrat's rule of proportionate growth or the law of proportionate effect, is a rule defined by Robert Gibrat in 1931. According to this law, the proportional rate of growth of a firm is independent of its absolute size. The law has three main propositions: (i) that firms of different size classes have the same average proportionate growth (i.e., small and larger firms have the same growth rate); (ii) that the dispersion of growth rates about the common mean is the same for all size classes; and (iii) that there is no serial correlation in growth rates. Therefore, the law predicts that firm growth is a purely random effect and therefore should be independent of the size of the firm. Construction company's growth measured on the basis of asset, profits, corporate turnover share price and number of employees (Hillebrandt, 2000). Firm performance is demonstrated by financial and non-financial indicators achieved by the firm after a period of time. According to the study of Machado and Fortunato (2018) the mixed measure of financial and non-financial measures was considered the most used method to evaluate performance in large companies.

2.2.1 Financial Measurement of Company's Growth

Financial performance is a measure of an organization's financial state. It is the financial outcome generated by managerial decisions and the implementation of those decisions by the staff of an organization (Alrowwad et al., 2017). Auma (2014) defined financial performance as the process synonymous to the interpretation of financial statements of the enterprise. Furthermore, Alrowwad et al. (2017) stated that the capability of the firms to create wealth during the start-up of the enterprise and survive or maintain in the market show positive financial performance. Generally, he concluded that financial measures are generally more subjective in nature than non-financial measures, and they can be found in financial statements and their accompanying notes. Financial performance is considered to be an indicator of a company's financial state from several

perspectives. A few examples of financial measures are revenue growth, profit margin, economic value added, cash flow, net operating income, costs, sales growth, return on investment, profitability, return on assets, and return on equity (Ha and Lo, 2018). Meseret and Getahun (2017) examined the determinants of the financial performance of wheat flour producing firms in Hawassa City, South Ethiopia. From the study's results growth had an insignificant influence on the firms' financial performance as measured by ROA and ROE. Vuong (2017) studied the determinants of the financial performance real estate. The findings revealed that growth had an insignificantly positive influence on the firms' financial performance as measured by ROA and ROE. The following are the most used financial measurement of firm growth.

2.2.1.1 The Sales Growth

Sales growth is calculated as the percentage of change in annual sales divided by one-year lagged annual sales. Sales are easily available and relatively insensitive to capital intensity. However, they are an unsatisfactory indicator because they can be influenced by a firm's arbitrary decisions like marketing strategies and financial decisions (Campi et al., 2023). Moreover, it can also be influenced by the decision to vertically integrate certain production processes and are sensitive to inflation and currency exchange rates (Delmar et al., 2003). Lazăr (2016) examined the determinants of the growth of Romanian listed companies for the period 2000 to 2011. From the study's results, sales growth had a significantly positive influence on the firms' performance. However; other researchers argue sales growth is sensitive to inflation and change in exchange rate. Therefore, it not a good measurement of company's growth alone. It is essential to consider other growth measurement for a compressive assessments of company's overall growth (Habtamu, 2016).

2.2.1.2 Asset Growth

Asset growth is defined as the percentage change in the book value of total assets divided by one-year lagged value of total assets. Assets can also define the size and growth of a firm. However, this measurement is more rigid to changes in the internal process of the firm and may not be a good explanatory variable (Hoang, 2017). Asset growth is sensitive to inflation and change in exchange rate similar to sales growth (Habtamu, 2016).

2.2.2 Non-financial Measurement Company's Growth

Nonfinancial performance is any measurement of quantitative information about the enterprise that is not stated in a monetary unit. Instead of accessing quantitative information in monetary value, enterprises need to evaluate qualitative evidence as well, in order to justify whether their performance is satisfied or not (Autrey et al., 2010). Contemporary approaches to performance measurements advocate the adoption of non-financial measures, for the importance they occupy in strategy implementation (Amini et al., 2017). Non-financial performance measures have become popular in the wake of recent corporate scandals. Moreover, they help management determine and evaluate the progress toward achieving organizational objectives, evaluate changes that happen in the environment, and emphasize the accomplishment of performance (Chahal et al., 2016; Alrowwad et al., 2017). According to Nurul (2020) many enterprises have seen qualitative information as a vital part of improving their performance. Therefore, nonfinancial performance measures are expected to be the leading indicators of future performance measurement. Common examples of nonfinancial performance include measures of employee or customer satisfaction, market expansion and the number of new products produced.

2.2.2.1 Employment Size

According to Christopher and David (2003) the nonfinancial performance of the enterprise can be measured by employee satisfaction that ultimately affect the profitability of the organization. As there is more employee's loyalty in the firms due to satisfaction with the products/services provided, then the companies have a good performance. Other researchers Giuliano and Small (1999) stated, the number of employees is the most widely used measure of company's growth because of that the number of employees reflects how the internal process is organized and adapts to changes in activity. Furthermore, employment is not sensitive to currency exchange rate or inflation. Scholars agree that this variable is a direct indicator of organizational complexity and is suitable for analyzing the managerial implications of growth (Penrose, 1959). Nurul (2020) concluded his findings that non-financial growth measurement has better measuring the growth of company's compared to financial growth measurement. For this study, the parameter researcher used to measure the growth of construction companies was changing of employment size and satisfaction.

2.3 Theoretical Review

Theoretical review refers to a critical analysis and synthesis of existing theories and concepts in a particular field of study. The following theoretical review involves analyzing and assessing the relevant literature, research studies, and theoretical frameworks related to the relationship between factors that influence organizational growth and growth of organizations.

2.3.1 Human Resource and Growth of Organizations

Human resource and organizational growth are closely interconnected concepts that play a crucial role in the growth of a company.

To support organizational growth, human resource plays a vital role in attracting and hiring talented individuals who possess the skills and competencies required for the company's expansion plans. Effective recruitment and selection strategies ensure that the organization has a pool of qualified candidates to fill key positions and drive growth (Cepin, 2013). According to the findings of Chaudhry et al. (2017) the human resource is responsible for providing training and development programs to improve the skills and knowledge of employees. As the organization grows, employees need to get new competencies, adapt to changing job requirements, and stay updated with industry trends.

According to the resource-based view theory suggests that an organization's resources, including its human resources, are the key drivers of competitive advantage and organizational growth. According to this theory, organizations with valuable and rare human resources that are difficult to imitate by competitors have a higher likelihood of achieving sustainable growth. Therefore, investing in human resources through recruitment, training, and development can contribute to organizational growth by building a unique and valuable resource base. Human resources facilitate performance management processes to align individual performance with organizational objectives.

Training programs ensure that employees have the necessary capabilities to contribute to the organization's growth and meet evolving business needs. A growing organization needs engaged and committed employees. Human resource implements strategies to enhance employee engagement, job satisfaction, and retention. This includes creating a positive work environment, offering competitive compensation and benefits, providing growth opportunities, and fostering a culture of recognition and appreciation (Chandra, 2019).

Setting clear goals, providing regular feedback, and recognizing and rewarding high performance motivate employees to contribute to the company's growth (Resurreccion, 2012).

In summary, human resources are instrumental in supporting organizational growth. Human resources functions, such as talent acquisition, succession planning, training and development, performance management, culture building, and employee engagement contribute to creating a skilled and motivated workforce that drives the organization's expansion and success.

2.3.2 Leadership and Growth of Organizations

Fiedler (1967: 36) suggested that " leadership behavior means particular acts in which a leader engages in the course of directing and coordinating the work of his group members". To Burns (1978: 425), " leadership is the reciprocal process of mobilizing by persons with certain motives and values, various economic, political and other resources, in context of competition and conflict, in order to realize goals independently or mutually held by both leaders and followers." Bennis (1989: 65) defined leadership as " the capacity to create a compelling vision and translate it into action and sustain it". To Yukl (1989: 253), defined "leadership involves influencing task objectives and strategies, influencing commitment and compliance in task behavior to achieve these objectives, influencing group maintenance and identification and influencing the culture of an organization ". Chemers (1997: 1) believed that " Leadership is a process of social influence in which one person is able to enlist the aid and support of others in the accomplishment of a common task ". Finally, Vroom and Jago (2007: 18) defined leadership as " a process of motivating people to work together collaboratively to accomplish great things''. Various leadership theories offer insights into how leaders influence organizational growth. Here are a few prominent leadership theories in relation to organizational growth.

Transactional Leadership:

Transactional leadership theory focuses on the leader's role in setting clear expectations and providing rewards or punishments based on performance. Transactional leaders establish performance goals, monitor progress, and provide feedback to ensure that employees meet organizational objectives. While transactional leadership may not directly stimulate long-term organizational growth, it can create stability, efficiency, and accountability, which are essential foundations for growth.

Transformational Leadership:

Transformational leadership theory emphasizes the leader's ability to inspire and motivate followers to go beyond their self-interests for the sake of the organization's goals. Transformational leaders create a vision, communicate it effectively, and inspire employees to strive for excellence. They foster a sense of trust, empowerment, and innovation among employees, which can contribute to organizational growth by encouraging creativity, adaptability, and high-performance cultures.

Situational Leadership:

Situational leadership theory suggests that effective leaders adapt their leadership style based on the specific needs of their followers and the situation at hand. Leaders assess the competence and commitment levels of their employees and adjust their leadership behaviors accordingly. By providing the appropriate level of support and direction, situational leaders can enhance employee performance and ultimately contribute to organizational growth.

Authentic Leadership:

Authentic leadership theory emphasizes leaders' self-awareness, transparency, and ethical behavior. Authentic leaders are genuine, display high levels of integrity, and build authentic relationships with their followers. Authentic leadership contributes to organizational growth by fostering trust, employee engagement, and a positive organizational culture.

It's important to note that effective leadership is context-dependent, and different leadership theories may be more applicable in different situations and organizations. Furthermore, a combination of leadership theories and approaches may be necessary to address the complex challenges and dynamics associated with organizational growth.

2.3.3 Organizational Culture and Growth of Organizations

Cultural alignment theory suggests that organizational culture should be aligned with the organization's strategy and goals. When there is congruence between the desired culture and the strategic direction of the organization, it can facilitate growth by creating a shared understanding of priorities, values, and behaviors. A culture that aligns with growth objectives can foster innovation, employee engagement, and customer focus which are vital for fostering the growth.

The relationship between organizational growth and organizational culture is significant. A positive organizational culture improves employee commitment and engagement. When employees feel a sense of belonging, trust, and empowerment within the culture, they are more likely to be committed to the organization's success. Engaged and committed employees are more productive, innovative, and willing to go the extra mile, which can contribute to organizational growth (Agu, 2015).

The findings of Gantasala (2015) shown that, organizational growth often requires teamwork and collaboration across different departments and functions. A culture that promotes collaboration, cross-functional, and open communication cooperation can facilitate the sharing of knowledge, ideas, and resources necessary for growth initiatives. When employees work together effectively, it leads to improved problem-solving, increased efficiency, and better outcomes, supporting organizational growth. A customer-centric culture is essential for sustained organizational growth. When the organizational culture emphasizes a deep understanding of customer needs, a commitment to delivering value, and a culture of service excellence, it can drive customer satisfaction, loyalty, and business growth. A customer-focused culture encourages employees at all levels to prioritize customer needs, innovate to meet customer expectations, and continuously improve products and services (Simon et al., 2016).

2.3.4 Governmental Polices and Growth of Organizations

Government policies and regulations play a crucial role in promoting fair competition and preventing anti-competitive practices. Effective competition policies can foster a level playing field, encourage innovation, and drive market efficiency. By ensuring fair competition, governments create an environment where organizations have the opportunity to grow based on their competitive merits and value creation (Denicolò & Zanchettin, 2010). Changes in government policies and regulations can create uncertainty for businesses, which can affect their growth plans. Rapidly changing policies or excessive regulatory burdens can hinder long-term planning, investment decisions, and business expansion. Organizations may face challenges in adapting to new regulations, navigating complex compliance requirements, and managing the costs associated with regulatory changes (Zambrano-Gutiérre & Avellaneda, 2022).

It's crucial to recognize that the influence of government policies and regulations on organizational growth is not uniform across industries, countries, or business contexts. To navigate this landscape effectively, organizations must remain vigilant, keeping abreast of pertinent policies, engaging constructively with policymakers, and adjusting their strategies to capitalize on growth prospects while ensuring compliance with regulations.

2.3.5 Corruption and Growth of Organizations

According to Transparency International (2019a) report, corruption can be interpreted as the misuse of entrusted power to acquire personal interest or benefit, consisting of a series of dishonest, improper or unlawful behaviors and the violation of established rules. Dimant (2018) elaborates on the qualification of corrupt acts and broadly defines corruption as the abuse of entrusted power for personal gain. He states that three specific conditions must apply for an act to be considered corrupt: (1) The arm's-length principle is violated the two parties in a transaction display bias for working with each other that is inconsistent with impartial treatment; (2) The bias or conflict of interest must be intentional, and (3) There must be some advantage for both parties to commit this violation. This advantage need not be monetary in nature; it could be non-monetary gifts.

Corruption can reduce the image of the country and damages public trust (Ika et al., 2012). Kingsford Owusu and Chan (2018) concluded their findings, public infrastructure projects (PIPs) are most vulnerable to corruption owing to the great amount of capital involved, which triggers a surge in corruption risks in construction project management.

Corruption undermines the ethical climate within organizations. When corrupt practices are prevalent, it can create a culture that rewards unethical behavior and fosters a lack of trust among employees. This can lead to lower employee morale, decreased productivity, and reduced commitment to organizational goals. A positive and ethical work environment, on the other hand, promotes employee engagement, loyalty, and innovation, which are crucial for organizational growth (Victor & Cullen, 1988).

Corruption negatively affects the overall business environment. It erodes trust, weakens institutions, and undermines the rule of law. Organizations operating in corrupt environments may face challenges in accessing credit, obtaining permits and licenses, or navigating regulatory processes. The presence of corruption can deter foreign investment, reduce competitiveness, and

hinder the development of a vibrant and sustainable business ecosystem (Ayaydın & Hayaloglu, 2014).

2.3.6 Political Instability and Growth of Organizations

Political instability theory suggests that political instability can have adverse effects on economic performance. Frequent changes in government or political turmoil can disrupt economic stability, leading to volatility in exchange rates, inflation, and fiscal policies. Unstable economic conditions can constrain business growth and investment, making it challenging for organizations to achieve their growth targets. Political instability can lead to social unrest, protests, or strikes, which can disrupt business operations and hinder growth. Social unrest may result in work stoppages, supply chain disruptions, or damage to infrastructure. Organizations operating in politically unstable environments may need to divert resources to address labor disputes or mitigate social unrest, diverting attention and resources away from growth initiatives (Kaplan & Akçoraoğlu, 2017). Political instability often leads to policy uncertainty, as changes in government or political leadership can result in shifts in policies and regulations. This uncertainty can make it difficult for organizations to plan and execute growth strategies. Rapid policy changes or reversals can disrupt business operations, create compliance challenges, and negatively impact growth prospects (Gholipour, 2019).

2.4 Factors Affecting the Growth of Construction Companies

According to a study conducted by Bouazza et al. (2015) the factors that hinder the success and expansion of businesses can be categorized into two groups; internal factors and external factors. Internal factors encompass aspects like the absence of a defined business plan or vision ineffective management practices and a lack of skills. On the hand external factors include issues such, as corruption, competition, government policies, technological barriers, difficulties in accessing resources, bureaucratic procedures and unfavorable economic conditions. However; this study only covers the six potential factor that have significant influence on the growth of construction companies. Those factors are presented as follow:

2.4.1 Human Resource

Human resources (HR) are among the most important assets in allowing companies to gain a competitive benefit. Thus, the efficient management of personnel can improve organizational

performance in a company. It provides a clear direction, vision, mission, goals, objectives, and plans. It helps in achieving employees with their company's goals that change into well performance (Cania, 2014). Recruitment practices have been linked to the quality of workers and consequently, the growth of organizations (Gatewood et al., 2010). (Mohamed, 2018) study revealed that recruitment practices of the company have statistically significant effect on the growth of construction company. In his finding the way in which prospective candidates are interviewed and chosen to fill vacant positions brings in a lot of influence on the kinds of staff who become a part of the organization, and the behavior and values they add. If the values align with the values adopted by the organization, culture is preserved; otherwise, it could lead to conflicts. Therefore, recruitment process will be one of the most important determinants of organizational culture. Rateb (2020) result argued that recruitment, selection, and compensation did not have a significant impact on organizational performance. The construction sector is distinguished by the informal nature of the way hiring is conducted at lower levels, and the hiring of staff who are more loyal to their boss than the organization (Serpell & Rodriguez, 2002). According to the finding of Rateb (2020) that HR practices like training, development and performance appraisal have a significant and positive relationship with organizational performance.

2.4.2 Leadership

The construction industry is a field that requires strong leadership. This is due to the nature of construction projects, which are large, technically complex, and involve a combination of specialized skills. The teams involved in these projects are not only large but also multi-disciplinary, with members from several different organizations. Additionally, today's large projects are often multi-cultural. The projects are typically expensive, and the stock of buildings represents a large proportion of a nation's savings. Therefore, the quality of the built product is of the essence. The projects take a long time to complete and involve a large number of discrete activities, which increases the certain time-related risks and exacerbate problems with communication, co-ordination and the ability to manage a wide range of risks.

According to the findings of Haque (2016) leaders provide a clear vision and strategic direction for the organization. They articulate goals, set priorities, and communicate a compelling vision of the future. This clarity and direction enable employees to understand the organization's growth objectives and align their efforts accordingly. The findings of Burke (2018) revealed that, leaders

play a critical role in managing change effectively by providing guidance, addressing resistance, and fostering a culture that embraces change. Their ability to navigate and lead through change is instrumental in enabling the organization to grow and adapt successfully.

According to the finding of Samson (2020) leader's ability to solve multiple problems, expertise on technical and professional matters, conceptual thinking, effective communication, timely feedback, interpersonal effectiveness, and self-development indeed has positive and significant effect on the on the organization growth. Abdul et al. (2007) found that, the quality of management was insufficient for contractors that undertake public design-and-build projects. The quality-related factors that give to this situation were budget constraints, client complexity, time constraints, poor communication and variations in design.

In summary, leadership is a critical factor in organizational growth. Effective leaders provide vision, strategic direction, motivation, and guidance to the workforce. They build strong teams, manage change and make informed decisions. Through their actions and influence, leaders play a vital role in driving and facilitating organizational growth.

2.4.3 Organizational culture

Organizational culture refers to a system of shared meaning held by members that distinguishes the organization from other organizations (Schein, 1996). According to McShane and Von Glinow (2009) investigation organizational culture is usually formed through strong leadership and a system of values that unites employees around a shared purpose. Culture is that element that differentiates an organization from other organizations with regards to innovation, change management, risk appetite, consistency and decisiveness (Hopkins and Scott, 2016).

Xie (2019) postulated that organizational culture is much more important today with the coming of the data age, which has become a difficult force to reckon with and is further enlarged by the occurrence of technological developments greater than what was attainable in the previous. Organizational culture reflects organization's success and is considered as one of the basic notions in the management (Amin, 2017). Organizational culture is considered a powerful means to attaining firm outcomes (Coelho et al., 2022).

Organizational culture has an impact on firms' long- and short-term growth (Kipsang et al., 2015). Moreover, the researchers stated that, the role of organizational culture in encouraging organizational competitiveness, acquisitions, mergers, internal cohesiveness and different

workforce improvements have made it a crucial requirement for advancing corporate survival, growth and advancement.

Construction clients and end users of completed facilities to get best value, the concept of organizational culture must be critically evaluated in the construction industry to improve the quality of services and product (Awolesi and Fabi, 2019). The finding of Szymańska (2016) conclude that organizational culture has been identified as a key factor in the development of superior business performance. Matthew (2019) results revealed on the concept that strong cultures are directly connected to companies' success. Furthermore, the researcher claimed that the relationship between culture and performance is indirect and that it is not a sufficient element for financial achievement. Nikpour (2017) argued that the connection between corporate culture and performance is an indirect one, since it is mediated by organizational characteristics such as productivity and employee dedication.

Polychroniou and Trivellas (2017) suggests that, for a construction organization to achieve sustainable growth in the new business environment, it should embrace workforce diversity. However, they caution that conflict can also result from a diverse workforce due to cultural differences. To overcome this, they recommend structural flexibility and innovative organization structures that are responsive to emerging environmental demands. Such a structure should allow for functional freedom to its divisions to match the cultural context in which the organization operates.

2.4.4 Governmental policies and regulations

Government policy refers to how the government administrates the price of building supplies, professional competency, work experience, rules on contractor qualifications and health and safety legislation of workers during the construction process, as well as the approval of building documents (Meier et al., 2016). "Governments are frequently the only body that make policy decisions and establish budgets, but citizens can help shape public policy through networks that are held accountable for accomplishing the government's policy objectives" (Foxell & Cooper, 2015). The government can also make policy changes based on the country's economic conditions. As a result, if a modification in government policies is truly essential, the government must remove politically damaging behavior (Janssen & Meckling, 2016).

According to Aiminhiefe (2022) study's findings shown that government policy influences the amount of growth and development in building construction, impacts the economic climate of building construction, and promotes the usage of standard building materials and the result is consistent with Niu (2008) who discovered that government policies and regulations had a considerable impact on building construction. The findings are also similar to with Patanakul and Pinto (2014) who showed that stringent and focused laws and regulations can result in major and fundamental changes in building construction. It was also found that unfavorable government regulations cause delays in building completion. As a result, government regulations and policy should correct the defects and keep the construction industry afloat for a long period.

2.4.5 Corruption

The study conducted by Bowen et al. (2015) on the impact of corruption on the South African construction industry. They concluded that government officials (as clients), main and sub-contractors are alleged to be the most tangled in corrupt practices. They further stated that bid evaluation is the most affected stage in the construction project. Fisman and Svensson (2007) found in their study that an increase of one percentage point of the bribery rate decreases firm growth by three percentage points.

2.4.6 Political instability

Political instability has become a threatening problem to both developing, developed and underdeveloped countries of the world today. Political instability occurs when there are political conflicts, ethnic rivalries, confrontation of government by some strong interest groups, ethnically motivated interparty conflicts, willful abandonment of the wish of the electorate and the national cause by the government or party in power (Vorhies et al., 2020). These are available in poly ethnic states and country like our country Ethiopia for example, the war in the northern region has affected construction projects in the area and resulted in the demolition of infrastructure and many people being displaced. Another war between government forces and rebel groups in different parts of Oromia has been going on since 2018. The study conducted by Gayle et al. (2012) noted that, political instability causes budget shortage for research and development activities at national and enterprise levels, and weakens collaborations between academicians and practicing enterprises, lessens government spending on technology, and deteriorates quality of education.

According to Loosemore (2003) construction projects are susceptible to industrial action and thus, project managers need to be well versed with the political environment and assess aspects of the environment that can threaten the success of projects or contribution organizations such as political instability, turbulent economy, and unpredicted demand shifts. As noted by Basil and Taylor (2019) political instability leads creation of excessive informal construction sector and causing difficult and challenging conditions that become common features in the developing countries. A study conducted by Sultan and Alaghbari (2017) have concluded that there is a need for strategies for national security and strengthening the law and fight administrative corruption in order to achieve development.

2.5 Empirical Review

According to Assefa (2023) in the topic analysis of how the construction business in Ethiopia is affected by the rising cost of building materials and the factors which were categorized into the following four categories: managerial, financial, political, and company expansion.

Animut (2019) study on small, medium and micro enterprise (SMME) construction companies have shown that different challenges which are the cause of failure of their business. This Researcher has been grouped these challenges under organizational and economic- environmental related factors. Marketing and financial factor are the most challenging factor which becomes the cause of failure of SMME construction companies in Addis Ababa that are grouped under economic- environmental related factors. While under organizational challenge managerial factor is most challenging factor for the cause of SMME construction company's failure in Addis Ababa.

Biruk (2019) has been identified six major problem or factors (initial capital, financial assistances, material and equipment assistance, lack of training, lack of enough project work opportunities, late payment and lack of well managed cash flow) that affect the growth of small construction companies. The result of the study revealed that, each factors has a significant influence on the growth of the construction companies.

According to the study conducted by the researchers Benjamin and Socratus (2022) some of the factors affecting the growth of construction companies includes political factors like regulation and government policies, social factor such as changing demographics and consumer preferences and economic factors such as inflation and interest rates. The study also revealed that technological

advancements, availability of skill labors, and changing the competitive landscape of the industry have an impact on the growth of construction companies.

2.6 Conceptual Framework

A conceptual framework is a research tool that helps a researcher to develop awareness and understanding of the situation under examination and to communicate with a study. Upton et al. (2001) defines a conceptual framework as a set of broad ideas and principles from relevant fields used to structure a study, aiding researchers in developing awareness and understanding, and presenting a preferred approach based on literature reviewed in the study.

The aim of this study is to studying the current situation with regarded to the factors affecting the growth of contractors in Addis Ababa city. This study has been conducted to show the degree of influence of six potential factors (human resource, leadership, and organization culture while governmental policy and regulation, corruption, and political instability) on factors affecting the growth of contractors in Addis Ababa city. These factors have been selected by a careful review of literature and previous researches in the field of challenges and problems faced small firms.

This study considered six main factors that affect the growth of construction companies. The first one is human resources: Human resource have significant influence on the growth of construction. Human resources and the growth of construction companies is intertwined with various aspects of project execution, client relations, workforce management, and overall organizational effectiveness. Companies that recognize the importance of their human capital and invest in developing, motivating, and retaining a skilled workforce are better positioned to achieve sustainable growth in the construction industry.

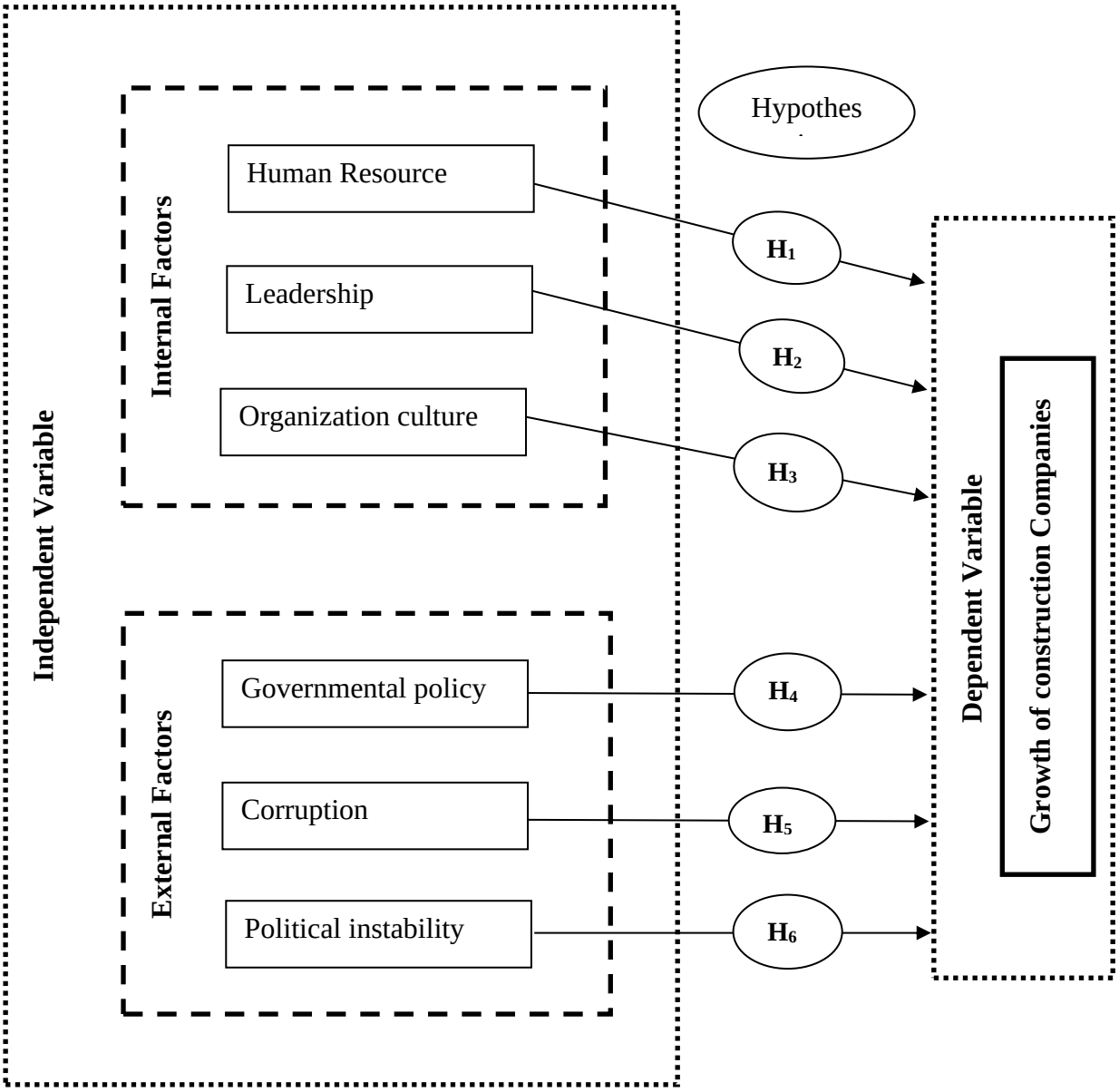
The second factor is leadership: Leadership is essential in shaping the vision, strategy, and overall direction of a construction firm. The relationship between leadership and the growth of construction companies is a crucial one, as it has a significant impact on various aspects of organizational success. The third influential factor is organizational culture: The association organizational culture and the growth of construction companies is vital, as organizational culture shapes the values, behaviors, and norms within a company. A positive and helpful culture can contribute significantly to a construction firm's success and growth.

The fourth factor is governmental policy and regulation: The association between governmental policy and regulation and the growth of construction companies is a complex one. Supportive

policies can create an environment conducive to growth, while restrictive or inconsistent policies may present challenges. Construction companies that adapt to regulatory frameworks, stay compliant, and actively engage with policymakers can better navigate the regulatory landscape and position themselves for sustainable growth. The fifth factor is corruption: Corruption in the construction industry is a significant challenge as it distorts fair competition, increases costs, compromises quality and safety standards, and damages reputations. The prevalence of corruption undermines trust and hampers the overall development of the sector. Companies that prioritize ethical business practices and operate in environments with strong anti-corruption measures are better positioned for sustainable growth.

The last but not the list factor that included in this study was political instability. Political instability poses significant challenges to the growth of construction companies by introducing uncertainties, affecting project pipelines, increasing risks, and impacting the overall business environment. Companies that operate in politically unstable regions need to navigate these challenges carefully, employing adaptive strategies and risk management measures to mitigate the impact on their growth prospects.

Fig 2.1: Conceptual framework



Source: Developed for this study, 2023

2.7 Research Hypothesis Development

Hypothesis development is the process of formulating clear, testable statements that articulate the expected relationship between variables in a research study. It involves identifying the key variables, specifying the nature of the relationship between them, and ensuring that the hypotheses are falsifiable and align with existing theory or research literature. Hypothesis development is a crucial step in the research process as it guides the design of the study, informs data collection and analysis methods, and provides a framework for drawing conclusions and making recommendations based on empirical evidence. This study formulated six hypotheses to explore the effect of human resource, leadership, organizational culture, governmental policies and regulations, corruption and political instability on the growth of construction companies.

Human resource and growth of construction companies

Human resource practices have a positive impact on organizational performance and that organizational learning act as a mediator between high-performance human resource practices and organizational performance (Chahal et al., 2016). While the results of Lai et al. (2016) indicated a direct positive relationship between the use of specific formalized human resources and performance in small and medium-sized enterprises, as measured by labor productivity and financial performance. Moreover, the results revealed that certain human resource and policies could improve performance in small companies, especially in firms with low levels of satisfaction and commitment. Raineri (2016) proposed that employee motivation and human capital serve as mediating mechanisms used to explain the relationship between human resource practices and growth of organization. The results revealed that performance evaluation, personnel selection, job description, empowerment practices, and training make simultaneous contributions to the affective commitment paths and human capital. Tzabbar et al. (2017) stated that there is a positive and significant relationship between Human resource practices and organizational performance across contexts. There is also mixed support for the proposition that some of the examined practices, such as training, profit sharing, and voice, have a strong positive relationship with performance, but they do not correlate with organizational performance more than other practices, like training and development, job security, and staffing. Hence, I can hypothesize that:

H_1: Human resources have statistically significant effect on the growth of construction companies.

Leadership and growth of construction companies

According to the finding of Bikila (2022) leadership has a positive and significantly effect on organizational performance. Thamhain (2003) found that leadership style is related to positive employee outcomes including higher performance, going beyond to help the organization, and engaging in fewer harmful behaviors. The findings of the study by Frehiwot (2020) indicates that transactional leadership and laissez-faire leadership styles significantly predicts organizational performance while transformational leadership did not predict the organizational performance. The end results of the project are highly dependable on the behavior and actions of the project manager. Any successful outcomes or fallouts are accredited to the particular steps that the project manager deliberately decided to take. Effective leadership is essential for navigating the complexities of the construction industry, driving organizational success, and achieving sustainable growth over the long term. Therefore; I have proposed the following hypothesis.

H_2: Leadership has statistically significant effect on the growth of construction companies.

Organization culture and growth of construction companies

The work of Peter and Waterman (1982), who found that performance inside an organisation is dependent on the degree to which values are widely embraced, supports this viewpoint. The findings of their investigation backed up this assertion, as it was discovered that companies with values that foster respect, creativity, collaboration, and teamwork performed better. According to these experts, organizational culture has a variety of characteristics that positively affect organizational performance. Increased performance has been related to organizational culture practices. (Matthew, 2019)'s results cast doubt on the concept that strong cultures are directly connected to organizational success. In summary, organizational culture profoundly influences the growth of construction organizations by collaboration and teamwork, customer-centric approach, inclusivity and diversity, encourage creativity and innovation and empower employees to take initiative. Cultivating a positive and values-driven culture is essential for construction organizations seeking to achieve sustainable growth, adapt to industry challenges, and maintain a competitive edge in the market. Hence, I can hypothesize that:

H_3: Organization cultures have statistically significant effect on the growth of construction companies.

Governmental polices and regulation and growth of construction companies

The government (public sector) is a major player in the construction industry and its main task is to ensure the optimal combination of input resources and efficient use of technology to reduce losses and increase the benefits for society (Aneta, 2020). Policy and regulatory problems constitute the primary obstacles for the growth and expansion of SMME (Animut, 2019). Niu (2008) findings revealed that government policy and regulations have a major impact on building construction. According to Iroegbu (2005), findings shown that regulation and policy had a substantial influence on construction projects. The construction organizations have various obstacles as a result of insufficient government construction policy, inefficient government procurement procedures and insufficient funding for government projects (hu et al., 2016). As a result, this study proposed the following hypothesis.

H_4: Governmental policies and regulations have statistically significant effect on the growth of construction companies.

Corruption and growth of construction companies

Corruption has significant effect on the creation of monopoly' and 'lower-quality construction' are severe, as they can hinder the entrance of small firms and portrays a bad image of the industry. However; the researchers were also discovered that the construction community admits that corruption also has a few positive impacts, such as corruption faster documentary processes, reducing time delays, increased competition and motivation to work harder (Nouman et al., 2021). Additionally, existing literature shows that corruption practices are known to manipulate procurement processes. In South Africa, government officials are known to interfere with public procurement systems. Other factors known to contribute to corruption in procurement include inadequate management practices (Basheka & Bisangabasaija, 2010; Boahene & Nani, 2015) and lack of transparency (Boahene & Nani, 2015). Manipulation of procurement processes is a major challenge because often it is hidden, hindering efforts to address the corruption.

Corruption significantly hampers the growth of construction firms by inflating project costs through bribery, kickbacks, and other illicit activities. This leads to reduced profitability, hindering investment in new projects and expansion opportunities. Additionally, corruption causes delays in obtaining permits and approvals, disrupting project timelines and increasing construction costs. Furthermore, involvement in corrupt practices damages the reputation of construction companies,

leading to loss of trust, legal risks, and difficulty in attracting clients and investors. Overall, corruption distorts market dynamics, undermines fair competition, compromises project quality, and creates significant barriers to the sustainable growth of construction companies. Therefore: the researcher proposed the following hypothesis.

H_5: Corruption has statistically significant effect on the growth of construction companies.

Political instability and growth of construction companies

The effectiveness of construction organization 's competitive and survival strategies hinges on the political climate of the country (Obuba et al., 2020). The study conducted by Mebatsiyo (2020) site and location security conditions are crucial to the success of any construction project. According to the findings of Hosny (2020) who studied on the effect of political instability on private firms in Tunisia political instability has a significant on the growth of the companies. Fowowe (2017) also agreed and stated that political instability deteriorates the performance of firms (employee growth) in Africa. Therefore; this study proposed the following hypothesis.

H_6: Political instabilities have statistically significant effect on the growth of construction companies.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

Research design is a plan to describe the sources and the types of information relevant to the study problem as well as the approach that may interfere with the validity of the findings (Churchill, 2010). Since objective of this study is identify the factors that affecting the growth of construction companies in Addis Ababa, Ethiopia: descriptive and explanatory type of research design was used as a main research design for this research to understanding the intended objectives. The purpose of adopting a descriptive research design is to specifically obtain an in-depth response so as to achieve a better understanding of the phenomenon being studied and the relationship between the study variables. It enables the gathering, summarizing, presentation and interpretation of information to enhance clarification of phenomena (Mugenda, 2003). While explanatory research design to explaining, understanding, predicting and controlling the relationship between variables. According to Kothari (2004) this research design examines the cause-and-effect relationships between dependent and independent variables.

3.2. Population and Sample Design

3.2.1 Population

All the elements from which inferences drawn is population (Cooper and Schindler, 2014). Saunders, Lewis, and Thornhill (2012) define population as all the units to be studied in a research undertaking. The total population of this study is all the construction organization which are found Addis Ababa city. From the data that the researcher found in ministry of work and urban development there are 1638 construction companies in Addis Ababa that are registered before five years ago. The selection of construction organizations with at least five years of experience is significant because it is crucial to obtain valuable insights or data about factors affecting the growth of construction companies. Sampling is necessary to represent the entire population of the study. To ensure a good representation of the population, it is possible to use a sample of the population, which is much smaller than the total population, but is sized and structured to be statistically representative. According to Fellows and Liu (1997) and Naoum (2019) clearly, the results from such sampling will not be exactly the same as if the whole population had been consulted, but the

finding is enough for the purpose for which the information is required. The target groups of this study all the contractors which are found in Addis Ababa. The lists of contractors were collected from ministry of work and urban development and from this list of contractors and then the researcher will divide the population in ten group by using stratified sampling technique based on the grade of the contractors. Finally, after stratified the researcher will be applying random sampling technique for further data analysis. This is whereby n elements of the population is selected in a way that provide a chance for each element to be included in the sample (Denscombe, 2007). Representative contractors and concerned regulatory bodies of government and professionals are respondents and provider of information for this research.

3.2.3 Sample Size

During the selection of sample size, special attention was done because of that sample is as much as possible representative of a population. According to the data that found from in ministry of work and urban development, the total number of construction companies which ranked grade 1 to grade 10 including the building contractors are 1638 according table 3.1. The total number of the sample population taken by applying the state of (Gay and Airasan 2005) guidelines. Their guidelines were saying that:

- ✓ The small population – less than 100 people – there is no need for sampling;
- ✓ It the population size is around 500, 50 percent of the population should be sampled;
- ✓ If the population is around 1500, 20 percent of the population should be sampled; and
- ✓ Beyond a certain point – at about 5000 units or more, a sample of 400 people is adequate.

Since the total population of the targeted population is 1638, the researcher selected 20% of the total population, resulting in a sample size of 328. The calculation was carried out meticulously as outlined in table 3.1.

Table 3.1: Grade of contractors

No.	Grade of contractors	Total population	Sample size (20%)
1	Grade -1and above	85	17
2	Grade -2 Contractors	101	20
3	Grade -3 Contractors	140	28
4	Grade -4 Contractors	158	32
5	Grade -5 Contractors	165	33
6	Grade -6 Contractors	209	42
7	Grade -7 Contractors	240	48
8	Grade -8 Contractors	260	52
9	Grade -9 Contractors	155	31
10	Grade -10 Contractors	121	25
	Total	**1638**	**328**

Source: Survey data, 2023

3.3 Data Collection Method

In this research primary types data used. The primary data are those which are collected for the first time, and thus happen to be original in character. The choice of a tool and instrument depends mainly on the attributes of the subjects, research topic, problem question, objectives, design, expected data and results (Kamar, 2011). The study adopted a questionnaire to collect the primary data. According to Kothari (2013) questionnaire is a set of written questions with multiple choice answers from which the respondents simply tick the most accurate. Best method of collecting primary data is through questionnaire. The researcher provided assistance to respondents who may not have given sufficient attention to the questionnaires in order to ensure the collection of reliable data. The questionnaires were designed to gather the required information based on the research topic. The questionnaire consisted of four sections. The first section focused on the background profile of the respondents, collecting information such as gender, position, experience, and educational level. The second section included questions related to general information about the companies under study. The third section of the questionnaire encompassed factors affecting the growth of construction companies. It consisted of 29 questions organized into six groups, each

addressing a specific aspect. Finally, the last section contained four questions aimed at measuring the growth of construction companies using employment size as an indicator. The division of the questionnaire into these sections facilitated the systematic gathering of data and allowed for a comprehensive analysis of the factors and indicators related to the growth of construction companies.

The questionnaire items used in this study were sourced from various related journals that have previously assessed their validity and reliability. Specifically, the questions pertaining to human resources were adopted from the study conducted by Abu (2012). The leadership-related questions were derived from Firehiwot's work in 2020. Questions related to organizational culture were sourced from the studies conducted by Sarhan et al. (2016) and Alaloul and Shah (2019). The items assessing governmental policies and regulations were adopted from the research conducted by Zuo et al. (2012). For measuring corruption, the questions were adopted from Monteiro et al. (2022). Additionally, questions related to political instability were sourced from the study conducted by Sultan and Alaghbari (2018). Lastly, the dependent variable, which focuses on the growth of construction companies, utilized questionnaire items from the research conducted by Windapo et el. (2017). The selection of these questionnaire items from established studies enhances the reliability and validity of the instrument used in this study. The adoption of questions from different sources strengthens the comprehensiveness, content validity, reliability, and comparability of the questionnaire. It enriches the research instrument by incorporating diverse perspectives and established measurement scales, ultimately enhancing the overall quality of the study and its findings.

3.4 Data Analysis Method

Data analysis is a process whereby researchers make search and arrange in order to enhance their knowledge of the data and to present what they learned to others. Data analysis means changing and interpreting the collected data in to meaningful information, figure and statement based on the nature of data. In order to analyze the collected data of this study the researcher used Statistical Package for Social Science (SPSS) software namely descriptive analysis, correlation and multiple regression analysis.

Descriptive statistics were analyzed using the likert scale ranging from 1 –5. Decision Rule for the likert questions was based on measuring the perception of the respondents on various orientations

using selected items. All independent variables were measured using the likert scale in all the items ranging from 1-5. Where: 5- strongly agree, 4- agree, 3- neutral, 2- disagree, 1- strongly disagree. The descriptive statistical results were presented by tables, charts frequency distributions and simple percentages to give a summarized picture of the data. This will achieve through summary of statistics, which includes the means and standard deviations which were compute for each variable in this study.

Moreover, Inferential statistics techniques were used to test the various hypotheses. Pearson's product moment correlation and multiple regression analysis were the statistical methods used to test hypotheses for the variables.

CHAPTER FOUR
RESULTS AND DISUSSIONS

The previous successive chapters were helping to reach research discussion and findings of the study. Hence, this chapter is fundamentally focused on the analysis of data discussion and presentation of the research findings.

4.1 Questionnaires Response Rate

The questionnaires were distributed to employees, general managers and owner of the companies of construction organization in Addis Ababa. From the total of 328 questionnaires 277 were collected and the remaining 51 (15.55%) were not responded. The total response rate of the collected questionnaires was (84.45%). However; out of these due to incompleteness and missing values only 250 (76.2%) were usable for further analyses and the remaining 27(8.23%) were rejected. According to (Julius, 2013) a response rate of 50% is adequate for analysis and reporting, a response of 60% is good and a response rate of 70% and above is excellent. Therefore; based on the assertion, the response rate was considered to be excellent.

Table 4.1: Questionnaire distribution table

No.	Grade of contractors	Distributed questionnaire	Returned questionnaire	Percentage returned (%)
1	Grade -1 Contractors	17	13	76.47%
2	Grade-2 Contractors	20	18	90.00%
3	Grade-3 Contractors	28	24	85.71%
4	Grade-4 Contractors	32	24	75.00%
5	Grade-5 Contractors	33	21	63.64%
6	Grade-6 Contractors	42	31	73.81%
7	Grade-7 Contractors	48	33	68.75%
8	Grade-8 Contractors	52	41	78.85%
9	Grade-9 Contractors	31	25	80.65%
10	Grade-10 Contractors	25	20	80.00%
Total		**328**	**250**	**76.2%**

Source: Survey data, 2023

4.2 Testing of the Research Instruments

Before undertaking the analysis to examine the effect of the independent variables on the dependent variable, the researcher undertook the validity and reliability test to assure the research instruments was valid and reliable.

4.2.1 Validity Test

Validity refers to the degree to which a measurement accurately represents the underlying concept it intends to measure. In order to assess the validity of the research instruments used in this study, a pilot test was conducted involving the distribution of questionnaires to the target population. The purpose of this pilot test was to identify any challenges with the questionnaire prior to its actual implementation. The primary objective was to identify any weaknesses in the questionnaire design and measurement scales. As a result, valuable feedback and comments were received from both respondents and advisors. Based on this feedback, necessary modifications were made, including revising the wording of certain questions and modifying the measurement scales. Following these edits and incorporating the feedback received from respondents, the validity of the instrument was rechecked through a subsequent pilot test, which confirmed that it had successfully passed the validity assessment.

4.2.2 Reliability Test

Reliability means the accuracy or consistency of a measuring instrument to reproduce the same measures on different occasions. If the measurement can do that well, then it has a high level of reliability; if not, it has a low level of reliability. Reliability can be measured as internal consistency using Cronbach's alpha. The alpha coefficient ranges from 0 to 1; the closer the scale to 1, the greater the reliability of the instrument. Generally, the alpha coefficient should be at least 0.70 for it to be acceptable to show internal consistency (Develles, 1991). Accordingly, the overall Cronbach's alpha result of the 29 items in the study (5 human resource, 5 leadership, 5 organization culture, 5 governmental policy and regulation, 5 corruption and 4 political instability) was 0.842 which is higher than the minimum alpha value set as acceptable (i.e., 0.70). The detail instrument measure of Cronbach's alpha result is shown in the following table.

Table 4.2: Reliability Statistics table

Independent variable	Number of items	Cronbach's Alpha value
Human Resource	5	0.828
Leadership	5	0.823
Organization culture	5	0.776
Governmental policy and regulation	5	0.793
Corruption	5	0.838
Political instability	4	0.834
Over all Cronbach's Alpha	29	0.842

Source: Survey data, 2023

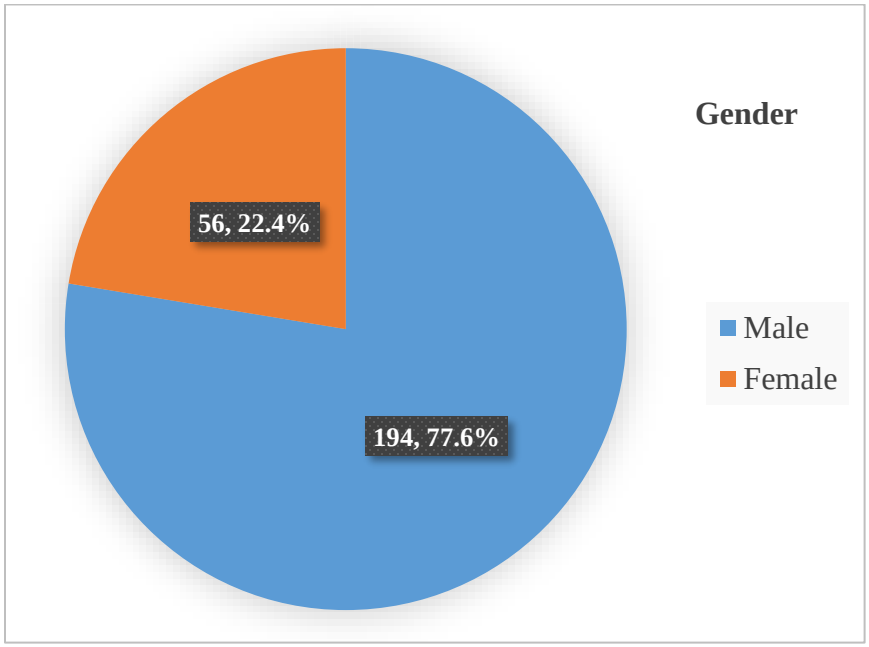
4.3. Demographic Characteristics of Respondents

Demographic factors are very important indicators of growth in any organization and are the basis for research questionnaire. Even though demographic characteristics are not having great influence on this study, the researcher considers some of them which are believed to have correlation to the study.

4.3.1 Gender

This is the characteristic of respondents and helps to know the proportion of respondents in terms of sex in the construction industry. Therefore, their gender characteristics according to the questionnaire survey are illustrated by the following figure as follows.

Fig 4.1: Gender of respondents



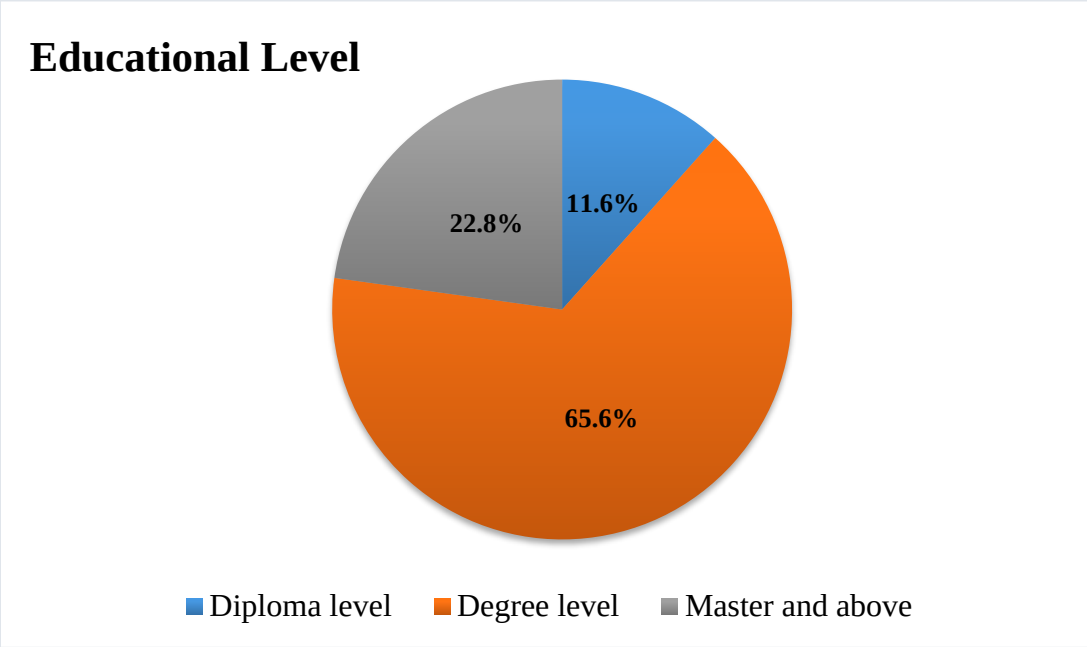
Source: Survey data, 2023

When we look at the gender of the respondents, 77.6 % of the respondents were males and 22.4% of respondents were females in the sample population. This shows that the construction industry is dominated by males.

4.3.2 Educational Background

This part of the background information helps to know the educational level of respondents in order to answer the provided questionnaire without any problem.

Fig 4.2: Educational background of respondents



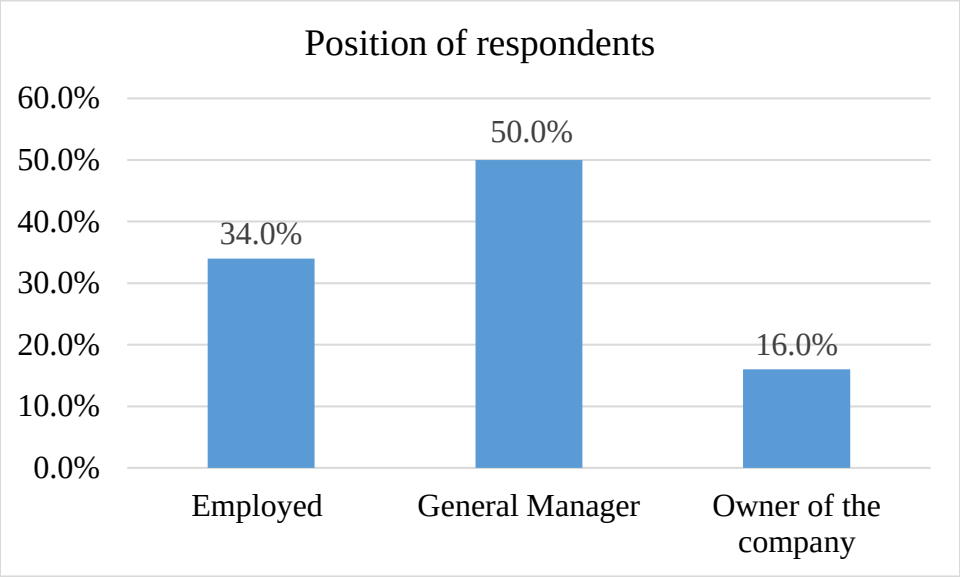
Source: Survey data, 2023

Regarding the educational background of the respondents, it is noteworthy that out of the total sample, 29 individuals (11.6%) held a diploma, 164 individuals (65.6%) held a bachelor's degree, and the remaining 57 individuals (22.8%) had a master's degree or higher qualifications. These findings indicate that the majority of the respondents possessed a bachelor's degree. Consequently, it can be inferred that the responsible bodies of the construction companies faced no difficulties in completing the provided questionnaires.

4.3.3 Position of Respondents

It results shows that most of the respondents were general managers 125 (50%). This helps the study more accurate because of that the general manager are well known about the business. The remaining respondents were owner of the company's 40 (16%) and employers 85 (34%).

Fig 4.3: Position of respondents

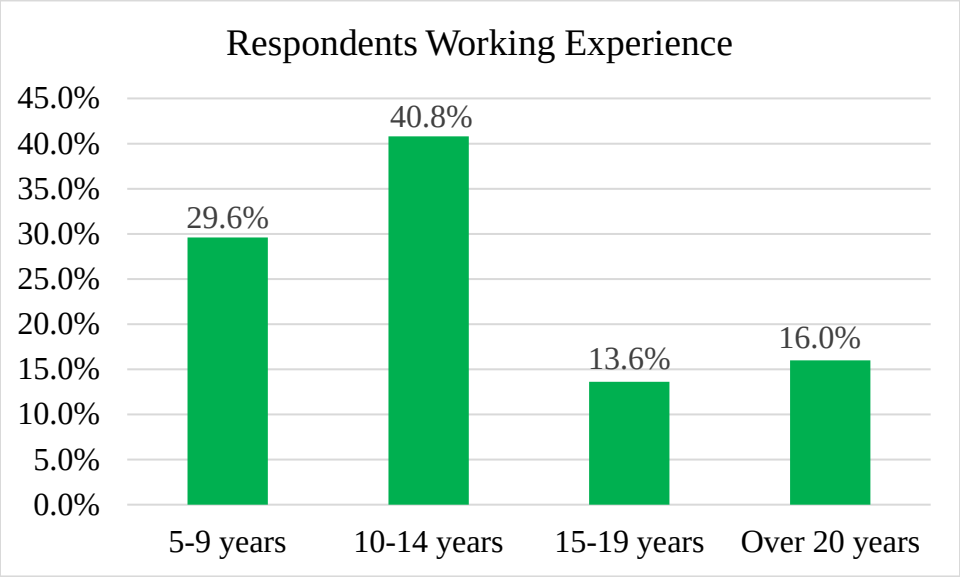


Source: Survey data, 2023

4.3.4 Experience of respondents

Respondents were requested to disclose their years of experience working in their construction companies. The following bar graph shows that 40.8% of the respondents had 10-14 years working experience, another 29.6% of the respondents had 5-9 years of experience, 16.0% of the respondents had over 20 years' experience in their companies and the remaining 13.6% of the respondents had 15-19 years of experience. The distribution suggests that most of the research participants had over 10-14 years of experience in their organization.

Fig 4.4: Position of respondents

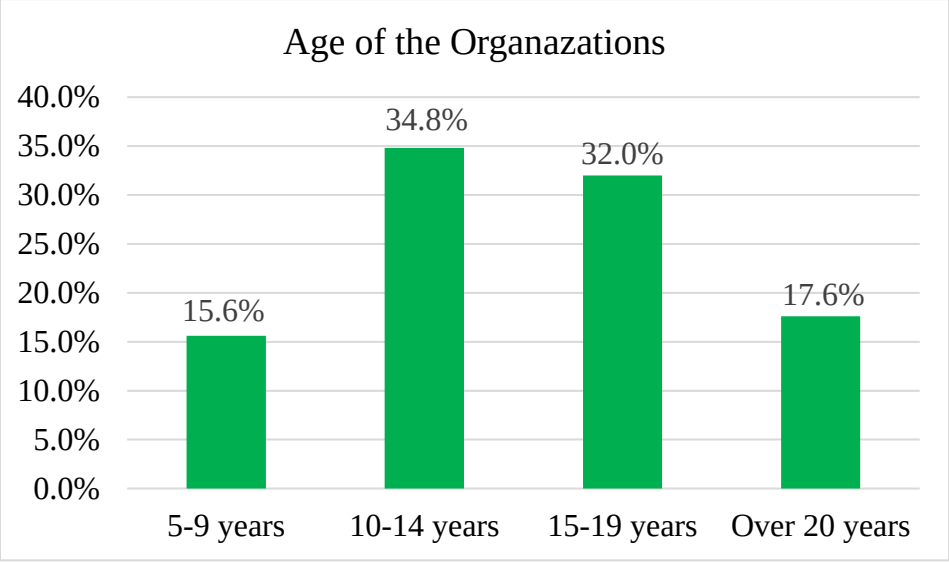


Source: Survey data, 2023

4.3.5 Age of the Company

Understanding the company's age helps assess the depth of its industry knowledge and the ability to navigate complex projects.

Fig 4.5: Age of organization



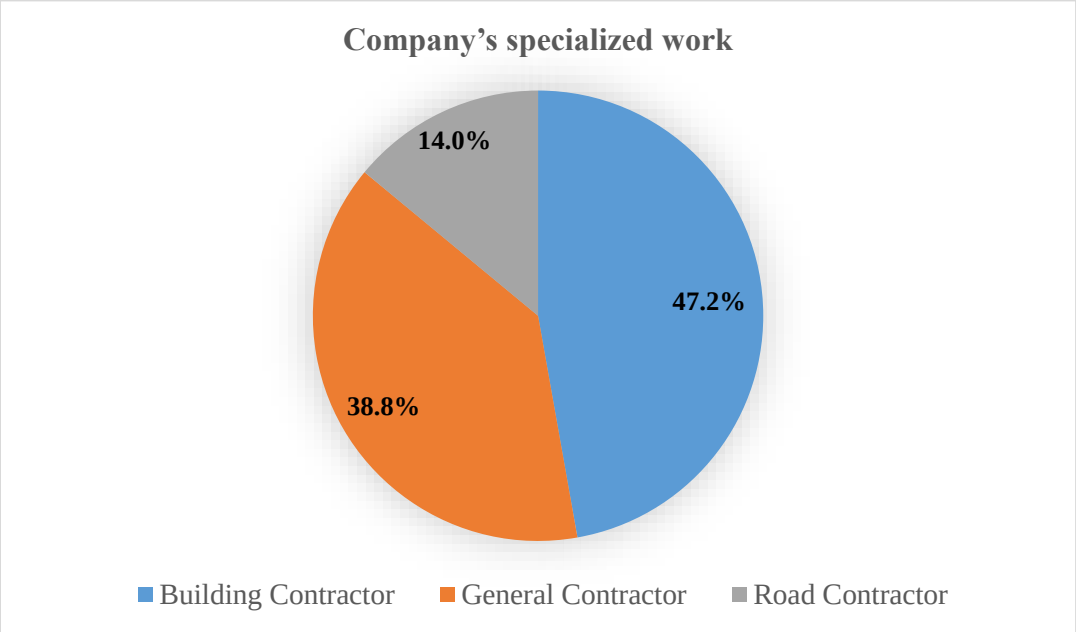
Source: Survey data, 2023

According to the response of the above graph, the majority of construction companies (contractors) have 10-14 years and 15-19 years which is 34.8 percent and 32 percent respectively in the construction sector while the remaining is 5-9 years and over 20 years' experience which its proportion is 15.6% and 17.6% respectively.

4.3.6 Company's Specialized Work

Most of the construction companies in Addis Ababa which are specialized in building contractor, general contractor and road contractor. Therefore, knowing the specialization of construction companies by using questionnaire survey become necessary in order to know in which specialization is limited their growth.

Fig 4.6: Company's specialized work



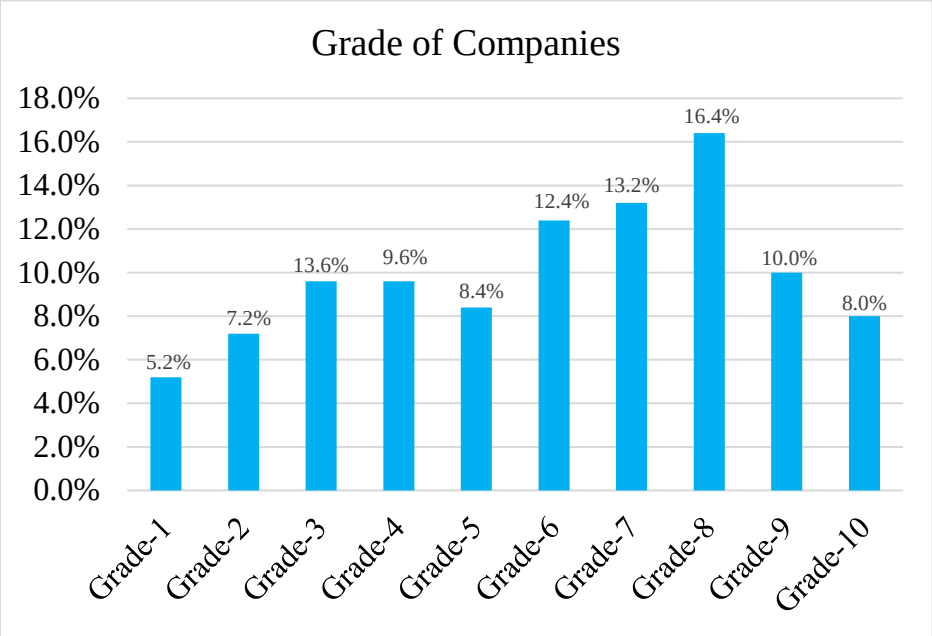
Source: Survey data, 2023

According to the result most construction companies' specialization work was building contractor and it took 47.2% of the total respondents. This implies that there were job opportunities building projects. However; this time this job opportunity is limited or reduced significantly. The remaining specialized work which is the general contractor and road contractor of respondents have 38.8%, and 14.0% of the total sample population respectively.

4.3.7 Grade of the Organization

Gathering information related to the grade of construction is important to know which grade of construction is dominantly found in Addis Ababa. The SPSS analysis result is presented in the following bar chart.

Fig 4.7: Grade of the organization



Source: Survey data, 2023

According to the result 16.4% from the total respondents were grade -8 contractors which is the highest respondents while the second and the third respondents which is higher in number were grade-7 and grade 6 respectively. The remaining respondents are grade-1, grade-2, grade-3, grade-4, grade-5, grade-9 and grade-10 and its proportion from the total respondents are 5.2%, 7.2%, 9.6%, 8.4%, 10% and 8% respectively. The finding revealed that the construction sector dominated by lower grade contractors.

4.4 Descriptive Analysis

Regarding the descriptive interpretations for variables or dimensions used on Likert scale; the measurement was used on the basis of the survey; 5 = Strongly agree; 4 = Agree; 3 = Neutral; 2 = Disagree; 1 = Strongly disagree. The mean level of agreement between the group or of the group is categorized on the scale; SA = Strongly Agree (4.51 or greater); A = Agree (3.5 – 4.50); N =

Neutral (2.51 – 3.49); D = Disagree (1.51 – 2.50); and, SD = Strongly Disagree (1.49 or less). The mean shows that to what level of agreement the response of all respondents is approached. Standard deviation, however, measures the mean difference between responses. In other words, it measures variation of responses with respect to the mean. Moreover, it shows that whether respondents are highly deviated one another in their responses.

4.4.1 Analysis of factors affecting the growth of Construction Companies

In this section, factors affecting the growth of construction companies in Addis Ababa such as human resources, leadership, corruption, organizational culture, government regulations and political instability are described using statistical tools which is mean and standard deviation.

4.4.1.1 Human Resource

This objective was set to find out whether human resource significantly affect the growth of construction organization. Human resource was measured according to the five sub-dimensions namely: Performance appraisal system, composition and benefits for employers, training and development programs and recruitment and selection process. The mean and standard deviation are present in the following table:

Table 4.3: Human resource

Questions related to human resource	Mean	Std Deviation
The performance appraisal system fails to effectively identify and reward employees contributing to the growth of your company.	3.34	0.706
Our construction companies do not provide a competitive compensation and benefits package, hindering employee satisfaction and retention for sustained growth.	3.5	0.654
Training and development programs in our organization do not contribute significantly to employee skill enhancement and growth.	3.52	0.660
The recruitment and selection process in our organization lacks transparency, detracting from its ability to attract crucial talent for company growth.	3.5	0.648
Our companies have struggled to retain skilled and experienced employees, hindering sustained growth.	3.53	0.641

Source: Survey data, 2023

Based on the above table, the first item was performance appraisal system fails to effectively identify and reward employees contributing to the growth of your company. The result of mean was 3.34 with a standard deviation of 0.706. Which implies that only a few respondents were agreed about performance appraisal system fails to effectively identify and reward employees. The mean score of the second items which is our construction companies do not provide a competitive compensation and benefits package, hindering employee satisfaction and retention for sustained growth was 3.5 while the standard deviation was 0.654. This means that a majority of the respondents agreed that construction companies do not provide a competitive compensation and benefits package for its employees. Failing to provide a competitive compensation and benefits package can lead to dissatisfaction among employees. This dissatisfaction may result in increased turnover, difficulty in attracting top talent, and challenges in retaining experienced professionals. A lack of competitive compensation can hinder sustained growth by limiting the company's ability to attract and retain skilled individuals.

The third items that the respondents were also rate training and development programs in our organization do not contribute significantly to employee skill enhancement and growth. The mean score of this item was 3.52 with a standard deviation of 0.66. This meant that a majority of the

respondents also reported that training and development programs in construction organization do not contribute significantly to employee. If training and development programs do not significantly contribute to skill enhancement and growth, employees may lack the necessary skills to adapt to industry changes or take on new challenges. This can result in a workforce that is not aligned with the company's growth objectives. In the long run, the lack of employee development may hinder innovation and competitiveness.

Furthermore, the respondents also rate about the recruitment and selection process in our organization lacks transparency, detracting from its ability to attract crucial talent for company growth. The finding of the mean score was 3.5 with a standard deviation of 0.648 which means that most of the respondent were agreed that the recruitment and selection process in construction organization lacks transparency. A lack of transparency in the recruitment and selection process can deter talented individuals from applying to the organization. Without a clear and fair process, the company may struggle to attract crucial talent needed for growth. This can lead to a less diverse and skilled workforce, limiting the company's ability to take on complex projects and expand its capabilities.

The last question for the case of human resource was, our companies have struggled to retain skilled and experienced employees, hindering sustained growth. The findings of the mean were 3.53 with a standard deviation of 0.641. Which means that most of the respondent were agreed that construction companies have struggled to retain skilled and experienced employees. The struggle to retain skilled and experienced employees can have several negative effects. High turnover rates may lead to a loss of institutional knowledge, increased recruitment costs, and disruptions in project continuity. This instability can hinder continued growth as the company may face challenges in maintaining a skilled and reliable workforce.

4.4.1.2 Leadership

This objective was set to find out whether leadership significantly affect the growth of construction companies. The mean and the standard deviation of this variable was analysis according to the following table.

Table 4.4: Leadership

Questions related to Leadership	Mean	Std Deviation
The leadership in our construction firm lacks a clear vision for the company's growth.	3.55	0.627
The leadership fails to communicate growth plans and objectives at all levels of the organization	3.5	0.642
The leadership makes untimely and ineffective decisions that hinder the growth of our organization.	3.46	0.628
The leadership is unwilling to take calculated risks, impeding the pursuit of growth opportunities.	3.54	0.640
The leadership in our construction firms neglects the well-being and development of team members, hindering overall growth.	3.14	0.675

Source: Survey data, 2023

The study applied five-line items to measure influence of leadership on growth of construction companies. The first item was leadership in our construction firm lacks a clear vision for the company's growth. The mean score achieved was 3.55 with a standard deviation of 0.627. This means that the majority of construction firms have not a clear vision. Without a clear vision, the organization may lack a strategic direction, resulting in misperception and a lack of purpose among employees. This can hinder coordinated efforts toward growth, leading to inefficiencies and missed opportunities.

The mean score of the second sub factor was leadership fails to communicate growth plans and objectives at all levels of the organization was 3.5 while the standard deviation was 0.642. This means that a majority of the respondents also conveyed that construction companies have not transparent and open communication in all team members. Inadequate communication of growth plans can result in a lack of alignment among team members. This misalignment may lead to fragmented efforts, reduced motivation, and an overall inability to execute growth strategies effectively.

Furthermore, the researcher was asked about the leadership makes untimely and ineffective decisions that hinder the growth of your organization. The mean score was 3.46 with a standard

deviation of 0.628. This shows that the most of the respondents were neutral on this item. Moreover, the respondents also asked to rate about leadership is unwilling to take calculated risks, impeding the pursuit of growth opportunities. The findings of the mean score were 3.54 with a standard deviation of 0.64 which means that the majority of the respondent were agreed that the leaders are not risk takers. This may result to hinder the company's ability to stay competitive and capitalize on emerging trends.

Additionally, respondents also rate, leadership in our construction firms neglects the well-being and development of team members, hindering overall growth. The mean and the standard deviation of this items was 3.14 and 0.675 respectively. Which implies that only a few respondents were agreed that leadership in construction firms neglects the well-being and development of team members.

4.4.1.3 Organizational Culture

This objective was set to find out whether organizational culture significantly effect on the growth of construction companies. Organizational culture factors were conceptualized according to the five sub-dimensions namely: Collaboration and teamwork, customer-centric approach, inclusivity and diversity, encourage creativity and innovation and empower employees to take initiative. The mean and the standard deviation of this factor was analysis according to the following table:

Table 4.5: Organizational culture

Questions related to organizational culture	Mean	Std Deviation
Collaboration and teamwork are not actively emphasized within our construction firms, hindering its potential for growth.	3.44	0.676
Our construction company does not prioritize a customer-centric approach as a key element in attaining growth objectives.	3.59	0.636
Inclusivity and diversity are not actively recognized in our construction company.	3.53	0.609
Our construction organization does not encourage creativity and innovation, impeding faster growth.	3.53	0.615
Our construction firm does not empower employees to take initiative, hindering contributions to the overall growth.	3.19	0.647

Source: Survey data, 2023

The finding of the study revealed that, for the first item which is collaboration and teamwork are not actively emphasized within our construction firms, hindering its potential for growth. were 3.44 and 0.676 the mean and the standard deviation respectively. Which implies that only a few respondents were agreed collaboration and teamwork are not actively emphasized in construction mean score firms.

The of the second items which is our construction company does not prioritize a customer-centric approach as a key element in attaining growth objectives was 3.59 while the standard deviation was 0.636. This meant that a majority of the respondents reported that construction company does not prioritize a customer-centric approach as a key element. Neglecting a customer-centric approach may result in reduce customer satisfaction and loyalty. Failure to understand and address client needs can lead to a diminished reputation, reduced repeat business, and limited opportunities for referrals, all of which can impede the sustainable growth of the construction company.

Furthermore, the researcher was asked about inclusivity and diversity are not actively recognized in your construction company. The mean score of this item was 3.53 with a standard deviation of 0.609. This meant that a majority of the respondents also replied that the inclusivity and diversity are not actively recognized in the construction companies. Failing to actively recognize and

embrace inclusivity and diversity can result in a lack of varied perspectives and innovative ideas. This may lead to a less creative and adaptable workforce, limiting the company's ability to address diverse client needs and navigate a changing market landscape.

Moreover, the respondents also answered about, our construction organization does not encourage creativity and innovation, impeding faster growth. The finding of the mean was 3.54 with a standard deviation of 0.609. Which means that the majority of the respondent were agreed that construction organization does not encourage creativity and innovation. A culture that does not encourage creativity and innovation may stifle the development of new solutions and approaches. In a dynamic industry like construction, where technological advancements and novel methods are essential, a lack of innovation can lead to a competitive disadvantage and hinder the company's ability to grow rapidly.

Additionally; the respondents also response about our construction firm does not empower employees to take initiative, hindering contributions to the overall growth. The mean and the standard deviation of this item was 3.19 and 0.647 respectively. Which implies that only a few respondents were agreed that construction firm does not empower employees to take initiative.

4.4.1.4 Governmental Policies and Regulations

This objective was set to find out whether governmental policy and regulation significantly effect on the growth of construction companies. Governmental policy and regulation factors were measured according to the five sub-factors namely: government policy effectively support, financial support, involved in procurement or contract award, adoption of new technologies and encourage significant investment in infrastructure. The mean and the standard deviation of this factor was analysis according to the following table.

Table 4.6: Governmental policies and regulations

Questions related to governmental policy and regulation	Mean	Std Deviation
Governmental policies do not effectively support the growth of the construction industry.	3.50	0.666
Government does not provide effective financial support programs for construction firms to promote growth.	3.5	0.603
The regulatory body has not adequately furnished information and training related to pertinent government policies.	3.53	0.628
Governmental policies do not incentivize the adoption of new technologies within the construction industry for growth.	3.53	0.615
Governmental policies do not encourage significant investment in infrastructure, negatively impacting construction firms.	3.18	0.679

Source: Survey data, 2023

The first item was governmental policies do not effectively support the growth of the construction industry. The result of mean score was 3.5 with a standard deviation of 0.666. This meant that the majority of the respondents reported that governmental policies do not effectively support the growth of the construction industry. The absence of effective governmental support may result in increased challenges for construction companies. This could include difficulties in obtaining necessary permits, regulatory hurdles, and a lack of infrastructure development initiatives. Limited governmental supporting may hinder the growth potential of the construction industry.

Second sub factor which is government does not provide effective financial support programs for construction firms to promote growth. Its mean result was 3.5 while the standard deviation was 0.603. This shows that a majority of the respondents also responded that the government does not provide effective financial support programs for construction firms. Without effective financial support programs, construction firms may face challenges in accessing funding for projects, expansion, and technology adoption. This could lead to financial constraints, limiting the ability to take on larger projects and invest in growth opportunities.

Furthermore, the respondents were also rating the regulatory body has not adequately furnished information and training related to pertinent government policies. The mean score of this item was

3.53 with a standard deviation of 0.628. The result revealed that the regulatory body has not adequately give information and training related to pertinent construction policies. Lack of clarity on construction policies may lead to disruptions in project planning and execution. Construction projects may face delays and interruptions, affecting timelines, productivity, and overall project efficiency.

Moreover, the respondents also rate about governmental policies do not incentivize the adoption of new technologies within the construction industry for growth. The findings of the mean score were 3.53 with a standard deviation of 0.615. Which means that the highest numbers the respondent were agreed that governmental policies do not incentivize the adoption of new technologies within the construction industry. Failure to incentivize the adoption of new technologies within the construction industry can result in a slower pace of technological innovation. Construction firms may be reluctant to invest in advanced technologies without clear incentives, impacting their competitiveness and growth potential in a technologically evolving market.

Additionally, the respondents also responded about governmental policies do not encourage significant investment in infrastructure, negatively impacting construction firms. The mean and the standard deviation of this items was 3.18 and 0.679 respectively. Which implies that only a few respondents were agreed that governmental policies do not encourage significant investment in infrastructure.

4.4.1.5 Corruption

The purpose of this factor was set to find out whether corruption significantly effect on the growth of construction companies. The mean and the standard deviation of this factor was analysis according to the following table.

Table 4.7: Corruption

Questions related to corruption	Mean	Std Deviation
Corruption has positive impact on firm growth by faster documentary process and motivation to work harder.	2.44	0.812
The prevalence of bribery significantly influences the awarding contracts with in the private or governmental sector	3.5	0.756
Corruption can increase procurement cost	3.5	0.654
Corruption increases the cost of construction projects	3.59	0.583
Corruption contributes to delays in the construction project	3.5	0.603

Source: Survey data, 2023

The effect of corruption was measured based on the following items. The first item was, corruption has positive impact on firm growth by faster documentary process and motivation to work harder. In this item most respondents were disagreed. The mean and the standard deviation of this items was 2.44 and 0.812 respectively. This implies that corruption has not positive impact on firm growth through faster documentation processes and increased motivation. Because of that such growth would be unethical and unsustainable in the long term. Relying on corruption for growth may lead to legal consequences, reputational damage, and a lack of trust from clients and partners. Legitimate and ethical growth practices are crucial for sustainable success.

The second item was, the prevalence of bribery significantly influences the awarding contracts with in the private or governmental sector. The result of mean score was 3.5 with a standard deviation of 0.756. This finding shows that most of the respondent were agreed that the prevalence of bribery significantly influences the awarding contracts with in the private or governmental sector. The result of this effect will lead to unfair competition and a lack of a level playing field. Construction companies engaging in corrupt practices may secure contracts not based on merit but on illicit activities. This undermines fair business practices, limits opportunities for ethical companies, and can impede overall industry growth.

The third item which was, corruption can increase procurement cost. In this item most respondents were agreed that corruption can increase procurement cost. The mean and the standard deviation

of this items was 3.5 and 0.654 respectively. This factor can result inflate prices for goods and services, negatively impacting the financial health of construction companies. Higher procurement costs can hinder growth by reducing profit margins and limiting resources available for investment and expansion.

The fourth item was, corruption increases the cost of construction projects. The result of mean score was 3.59 with a standard deviation of 0.583. This meant that the majority of the respondents reported that corruption increases the cost of construction projects. Corruption tends to inflate project costs as bribes and kickbacks may be factored into contracts. This can lead to increased expenses for construction companies, affecting their profit margins and potentially making them less competitive in the market. Higher costs may also result in reduced project feasibility and hinder the company's ability to secure contracts.

The last item for this section was, corruption contributes to delays in the construction project. The majority of the respondents answered that corruption has highly significant contributes to delays in the construction project. the mean and the standard deviation of this items was 3.5 and 0.603 respectively. Project delays can result in financial penalties, damage to the company's reputation, and potential legal consequences, all of which can hinder overall growth.

4.4.1.6 Political Instability

This is the last objective which is to find out whether political instability significantly affect the growth of construction companies. The mean and the standard deviation of this factor was analysis according to the following table.

Table 4.8: Political instability

Questions related to political instability	Mean	Std Deviation
The political instability significantly hampers project timelines for our construction companies	3.54	.650
The government approvals for the construction are significantly delayed during the political changes	3.54	.671
Investor perception of political instability is a crucial factor influencing investment decision in construction industry	3.58	.661
Political instability affects the government commitment to consistent infrastructure development, impacting on construction company's growth.	3.54	.626

Source: Survey data, 2023

The effect of political instability was measured based on the following four items. The first sub-factor was, Political instability significantly hampers project timelines for our construction companies. This finding shows that most of the respondent were agreed about political instability significantly hampers project timelines. The result of the mean was 3.54 with a standard deviation of 0.65. This may result in delays in project timelines as decision-making processes are hampered by political changes. Construction projects may experience interruptions, bureaucratic obstacles, and challenges in obtaining necessary approvals, causing setbacks in completion dates and potential financial implications for construction companies.

The second sub factor was, the government approvals for the construction are significantly delayed during the political changes. The mean and the standard deviation of this items was 3.54 and 0.671 respectively. Most of the respondents were answer that political changes can lead to shifts in government policies and administrative priorities. This can result in significant delays in obtaining approvals for construction projects. The bureaucratic processes may become slower and more complex during times of political instability, impacting the ability of construction companies to initiate and complete projects on time.

The third sub factor was, investor perception of political instability is a crucial factor influencing investment decision in construction industry. The result of mean score was 3.59 with a standard

deviation of 0.583. This meant that the furthermost of the respondents reported that political instability is a crucial factor influencing investment decision in construction industry. If investors perceive a higher risk due to political uncertainties, they may be hesitant to invest in construction projects. This can lead to reduced funding, limited access to capital, and challenges in securing financial support for growth initiatives. Negative investor perception can hinder the overall growth prospects.

The last sub factor was, political instability affects the government commitment to consistent infrastructure development, impacting on construction company's growth. The majority of the respondents answered that political instability has highly significant effect on the government commitment to consistent infrastructure development. The mean and the standard deviation of this items was 3.54 and 0.624 respectively. Project delays can result in financial penalties, damage to the company's reputation, and potential legal consequences, all of which can hinder overall growth. Changes in leadership or political priorities may lead to shifts in budget allocations and resource distribution. This can impact the pipeline of construction projects and reduce the opportunities for construction companies to engage in large-scale infrastructure development, ultimately affecting their growth.

4.4.2 Analysis Growth by Employment Change

As I discussed in the literature part to measure the growth of the construction companies the changing of number of employees is the most widely used measurement. Because of that the number of employees reflects how the internal process is organized and adapts to changes in activity. Furthermore, employment is not sensitive to currency exchange rate or inflation. Scholars agree that this variable is a direct indicator of organizational complexity and is suitable for analyzing the managerial implications of growth. The mean and the standard deviation of the employment growth factors are presented in the following table.

Table 4.9: Growth by employment change

Questions related to growth measurement	Mean	Std Deviation
Over the past 5 years, how has the employment size of your company's changed?	3.49	.648
What are your organization hiring plans for the upcoming years?	3.53	.641
How satisfied are employees with the over work environment during the last five year?	3.48	.695
How do you perceive the overall productive of work force?	3.51	.660

Source: Windapo (2017).

The study applied four items to measure growth of construction companies using employment size. The first item that was asked the respondents were Over the past 5 years, how has the employment size of your company's changed? The mean was 3.49 with a standard deviation of 0.648. This means that the majority of construction firms employment size has been decreased. The second question that the growth of companies measured was, what are your organization hiring plans for the upcoming years? Similarly, the majority of the respondents were answered the future hiring plan will be moderately decrease. The mean and the standard deviation of this items was 3.53 and 0.641 respectively. Furthermore, the respondents were asked to rate about How satisfied are employees with the over work environment during the last five year? Most of the respondent were neutral with the mean and the standard deviation 3.48 and 0.695. Moreover, the respondent was also how do you perceive the overall productive of work force? The finding revealed that mean was 3.51 with a standard deviation of 0.66. This means that the majority of responders replied the overall productive of work force highly.

4.5 CLRM Assumption and Diagnostic Test

In this subsection, two different results of CLRM tests of the study are presented. First, the test results for autocorrelation assumption are presented. Then, the test results of multicollinearity are presented.

4.5.1 Autocorrelation Test

The First diagnostic test conducted in this study is autocorrelation test. The assumption states that the errors are uncorrelated with one another. If the errors were not uncorrelated with one another, it would be stated that they are 'auto correlated' or that they are 'serially correlated' (Brooks, 2008). Durbin–Watson test and the Breusch-Godfrey test are the most common test of autocorrelation assumption (Boorks, 2008, p. 144). Thus, in this study Durbin–Watson test is used to test of autocorrelation.

Table 4.10: Autocorrelation: Durbin–Watson Test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.892[a]	.795	.790	.23330	1.8
a. Predictors: (Constant), PoliticalInstability, Corruption, HumanR, Leadership, GOVPR, OrganizationC					
b. Dependent Variable: GrowthCC					

Source: Survey data, 2023

The DW test statistic= 2 This is the case there is no autocorrelation in the residuals. From the above table the DW test statistic =1.8 ≈2.0. Therefore; it would be concluded that the null hypothesis of no autocorrelation is accepted.

4.5.2 Multicollinearity

Multicollinearity occurs when two or more of the independent variables are highly correlated that certain mathematical operations are impossible. The correlation between independent variables was such that multicollinearity is not a concern because multicollinearity will be created when results of the correlation coefficients are above 0.80 and to be considered-very high (Hair et al. 2006). However, there are two general procedures for assessing collinearity, including tolerance and variance inflation factor (VIF) (Pallant, 2007). The data will be absence of multicollinearity while VIF is less than 10, and tolerance value of greater than 0.10 but less than one (Robert Ho, 2006). Accordingly, as indicated in table 11 below, the collinearity statistics analysis of variance inflation factors (VIF) value ranges from 1.637 to 3.270. Likewise, as indicated in table of

correlation analysis, the results of the correlation coefficient between independent variables were below 0.8. Therefore, these results revealed that, there was no collinearity problem in this study. Therefore; no relationship between the independent variables, they would be said to not correlated to one another.

Table 4.11: Multicollinearity test results

Correlations							
		Human R	Leadership	Organization C	GOVP R	Corruption	Political Instability
HumanR	Pearson Correlation	1	.417**	.603**	.514**	.336**	.291**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	250	250	250	250	250	250
Leadership	Pearson Correlation	.417**	1	.562**	.439**	.204**	.622**
	Sig. (2-tailed)	.000		.000	.000	.001	.000
	N	250	250	250	250	250	250
Organization C	Pearson Correlation	.603**	.562**	1	.749**	.496**	.540**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	250	250	250	250	250	250
GOVPR	Pearson Correlation	.514**	.439**	.749**	1	.619**	.386**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	250	250	250	250	250	250
Corruption	Pearson Correlation	.336**	.204**	.496**	.619**	1	.272**
	Sig. (2-tailed)	.000	.001	.000	.000		.000
	N	250	250	250	250	250	250
PoliticalInstability	Pearson Correlation	.291**	.622**	.540**	.386**	.272**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	250	250	250	250	250	250
**. Correlation is significant at the 0.01 level (2-tailed).							

Source: Survey data, 2023

4.6 Multiple Linear Regression Analysis Result

Regression analysis is used to assess the relationship between one dependent variable and several independent variables. Multiple regression analysis, which means more than one predictor, is jointly regressing against the criterion variable. This method was used to determine if the independent variables (factors affecting the growth of construction companies) would explain the variance on dependent variable (growth of construction companies).

4.6.1 Model Specification

In order to achieve the objective of investigating the relationship between the independent variables and the dependent variable, the study formulated the following multiple linear regression model as follows:

$$GrowthCC = c + \beta_1 * HumanR + \beta_2 * Leadership + \beta_3 * OrganizationC + \beta_4 * GOVPR + \beta_5 * Corruption + \beta_6 * PoleticalInsta + \varepsilon \ldots\ldots (1)$$

Where,

C = intercept

GrowthCC =The growth of construction companies

HumanR =human resource

OrganazationC = Organization culture

GOVP = Governmental policy and regulation

PoleticalInsta =Political instability

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ and β = The coefficient of variables

ε = the residual error term

4.6.2 Coefficient Determination (R and adjusted R)

In order to understand how much variation in the dependent variable (the growth of construction companies) can be explained by the independent variable. The estimation results of the multiple regression model are presented in the following table:

Table 4.12: Model Summary of R^2

- Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.892[a]	.795	.790	.23330
a. Predictors: (Constant), PoliticalInstability, Corruption, HumanR, Leadership, GOVPR, OrganizationC				
b. Dependent Variable: GrowthCC				

Source: Survey data, 2023

4.6.3 The Regression Coefficient

This study intends to identify the most contributing independent variable in the prediction of the dependent variable. Thus, the strength of each predictor (independent variable) influencing the criterion (dependent variable) can be investigated via standardized Beta coefficient.

The regression coefficient explains the average amount of change in the dependent variable that is caused by a unit change in the independent variable. The larger value of Beta coefficient an independent variable contains, bring the more support to the independent variable as the more important determinant in predicting the dependent variable. The unstandardized coefficients of determination used to substitute the unknown beta values of the regression model. The beta values indicated the direction of the relationship. A positive or negative sign indicates the nature of the relationship. The significant values (p-value) indicate the statistical significance of the relationship or the probability of the model giving a prediction. Under this study a p-value of less than 0.05 is recommended as it signifies a high degree of confidence.

Table 4.13: Regression coefficients table

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T Statistic	Sig.(p value)
		B	Std. Error	Beta		
1	(Constant)	-.506	.170		-2.968	*.003*
	HumanR	.869	.046	.706	19.021	*.000*
	Leadership	.127	.056	.092	2.279	*.024*
	OrganizationC	.122	.061	.104	1.986	*.048*
	GOVPR	.242	.054	.221	4.508	*.000*
	Corruption	-.115	.047	-.092	-2.445	*.015*
	PoliticalInstability	-.111	.043	-.100	-2.549	*.011*
a. Dependent Variable: GrowthCC						

Source: Survey data, 2023

4.7 Discussion and Hypothesis Testing

According to table 4.12 result show that**, R**: Indicates the value of the multiple correlation coefficients between the predictors and the outcome, with a range from 0 to 1, a larger value indicating a larger correlation and 1 representing an equation that perfectly predicts the observed value (Pedhazur & Kerlinger, 1982). From the model summary (R=0.892) indicated that, there is a strong linear relationship between combination of the six independent variables (human resource, leadership, organization culture, governmental policy and regulation, corruption and political instability) and the dependent variable (growth of construction companies).

Adjusted R Square (R^2): Indicates the proportion of variance that can be explained in the dependent variable by the linear combination of the independent variables. In another word, adjusted R^2 is a measure of how much of the variability in the outcome is accounted for by the predictors. The values of adjusted R^2 range from 0 to 1 and accurately represent the population under study than R^2 (Pedhazur & Kerlinger, 1982). The linear combination of human resource, leadership, organization culture, governmental policy and regulation, corruption and political instability. explains 79.0% of the variation in growth of construction companies and the remaining 21.0% is explained by extraneous variables, which have not been included in this regression model. The value of adjusted R Square less than R Square by 0.5%. This shrinkage means that if the model

were derived from the population rather than a sample it would account for approximately 0.5% less variance in the outcome.

The regression coefficients show that human resource, leadership, organization culture, governmental policy and regulation predictors are positively affecting the growth of construction companies and statically significant. However, the effect of corruption and political instability negatively and statistically significant.

The marked column B is the value for the intercept (c) in the regression equation on the first row, labeled (constant). The numbers below the column "βeta" are the values for the regression coefficients for (human resource, leadership, organization culture, governmental policy and regulation, corruption and political instability). In the multiple regressions, the standardized regression coefficient Beta (β) is useful, because it allows us to compare the relative strength of each independent variable's effect on the dependent variable (Pedhazur & Kerlinger, 1982).

According to the regression analysis result on table 4.13 the constant beta value (β) and the p-value of the variables to examine the significance of the hypothesis. The significance level of each variable (P-value) is: 0.000, 0.024, 0.048, 0.00, 0.015 and 0.11 and their unstandardized coefficients are 0.869, 0.127, 0.122, 0.242, -0.115 and -0.111 respectively. The p-value of all the independent variables is below 0.05. This implies that the independent variables have a significant relationship with the dependent variable (growth of construction companies).

Based on these results, the regression equation that predicts growth of construction companies on the linear combination of human resource, leadership, organization culture, governmental policy and regulation, corruption and political instability is as follows:

GrowthCC= c +β_1 *HumanR +β_2 *Leadership +β_3* OrganazationC +β_4 *GOVPR + β_5*Corruption +β_6 *PoleticalInsta +ε….. (1) After substituting the coefficient of the variable the equation will be as follow:

Y= -0.508+ 0.896 *HumanR +0.127 *Leadership +0.122* OrganazationC +0.242 *GOVPR -0.115 *Corruption -0.111 *PoleticalInsta +ε….. (1)

Intercept

When all the independent variable assumes zero value the growth of construction companies will be -0.508. The possibility of the growth of construction companies value zero when all independent variable zero is rejected at 99% confident interval.

Human Resource

Holding the other explanatory variables constant (leadership, organization culture, governmental policy and regulation, corruption and political instability, human resource increase the growth of construction companies by 0.896 for each additional human resource increment. The p-value for this coefficient is 0.000 which is highly statistically significant at 1% significant level ($p<0.01$), meaning that human resource is a significant predictor of growth of construction companies. The result supported by the finding of (Abu, 2012).

Accordingly, the finding revealed, the first Alternative hypothesis which states "H_1: Human resource has statistically significant effect on the growth of construction companies." is supported by the data collected on this survey as (p-value < 0.05; β=0.869). Hence, the alternative hypothesis(H_1) is accepted.

Leadership

Holding the other explanatory variables constant (human resource, organization culture, governmental policy and regulation, corruption and political instability, leadership increase the growth of construction companies by 0.127 for each additional leadership increment. The p-value for this coefficient is 0.024 which is statistically significant at 5% significant level ($p<0.05$). This finding supported by the findings of Frehiwot (2020).

The second alternative hypothesis which states "H_2: Leadership statistically significant effect on the growth of construction companies." is supported because the P-value of leadership is 0.024 which is P <0.05; ($P<0.05$; β=0.127). Hence, the alternative hypothesis(H_{02}) is accepted.

Organization Culture

The study found that organization culture has positive and significant effect on the growth of construction companies at 5% significant level. This suggests that holding the other explanatory variables constant (human resource, leadership, governmental policy and regulation, corruption and political instability, the organization culture increase the growth of construction companies by 0.122 for each additional organization culture. The p-value for this coefficient is 0.048 which is

statistically significant at 5% significant level ($p<0.05$). this result supported by the findings of Matthew (2019).

The third alternative hypothesis which states, "H_3: Organization cultures have statistically significant effect on the growth of construction companies." is supported; because the P-value is 0.048 which is less than 0.05;(P,0.05; β=0.122) Hence, Organization cultures has positive and significant relationship with growth of construction companies. Hence, the alternative hypothesis(H_3) is accepted.

Governmental Policy and Regulation

The study found that governmental policy and regulation has positive and highly significant effect on the growth of construction companies at 1% significant level. This suggests that holding the other explanatory variables constant (human resource, leadership organization cultures, corruption and political instability, the governmental policy and regulation increase the growth of construction companies by 0.242 for each change of governmental policy and regulation. The p-value for this coefficient is 0.000 which is statistically significant at 1% significant level ($p<0.01$). This result supported by the findings of (Aghimien et.al, 2016).

The fourth null hypothesis which states, "H_{04}: governmental policies and regulations does not have statistically significant effect on the growth of construction companies." Is supported; because the P-value is 0.000 which is less than 0.01;($P<0.01$; β=0.242) Hence, governmental policy and regulations has positive and highly significant effect on the growth of construction companies. Therefore: the alternative hypothesis(H_4) is accepted.

Corruption

The study found that corruption has negative and significant effect on the growth of construction companies at 5% significant level. This suggests that holding the other explanatory variables constant (human resource, leadership organization cultures, governmental policy and regulation and political instability), corruption can decrease the growth of construction companies by 0.115 for each unit change of corruption. The p-value for this coefficient is 0.015 which is statistically significant at 5% significant level ($p<0.05$). This result supported by the findings of (Nouman et al., 2021)

The fifth alternative hypothesis which states, "H_5: Corruption has statistically significant effect on the growth of construction companies." is supported; because the P-value is 0.015 which is less

than 0.05;(P<0.05; β=0.115). Therefore: corruption has negatively but significant effect on the growth of construction companies. Hince: the alternative hypothesis(H_5) is accepted.

Political Instability

The study found that political instability has negative and significant effect on the growth of construction companies at 5% significant level. This suggests that holding the other explanatory variables constant (human resource, leadership organization cultures, governmental policy and regulation and corruption), political instability decrease the growth of construction companies by 0.111 for each changing of political instability. The p-value for this coefficient is 0.011 which is statistically significant at 5% significant level (p<0.05). This result supported by the findings Hosny (2020).

The sixth hypothesis which states, "H_6: Political instabilities statistically significant effect on the growth of construction companies." is supported; because the P-value is 0.011 which is less than 0.05;(P<0.05; β=0.111). Therefore: political instability has negatively but significant effect on the growth of construction companies. Hince: the alternative hypothesis(H_6) is accepted.

Table 4.14: Summary of Hypothesis Testing

Null Hypothesis	P and β value	Findings	Decision at 5% significant level
H_1: Human resource has statistically significant effect on the growth of construction companies.	P=0.869 β=0.000	Positive and highly significant	Accepted
H_2: Leadership has statistically significant effect on the growth of construction companies.	P=0.127 β=0.000	Positive and significant	Accepted
H_3: Organization cultures have statistically significant effect on the growth of construction companies.	P=0.122 β=0.000	Positive and significant	Accepted
H_4: Governmental policies and regulations have statistically significant effect on the growth of construction companies.	P=0.242 β=0.000	Positive and highly significant	Accepted
H_5: Corruption has statistically significant effect on the growth of construction companies.	P=-0.115 β=0.000	Negative and significant	Accepted
H_6: Political instabilities have statistically significant effect on the growth of construction companies.	P=-0.111 β=0.000	Negative and significant	Accepted

Source: Survey data, 2023

CHAPTER FIVE

5. CONCLUSIONS AND RECOMMENDATIONS

This chapter describes the conclusions and recommendations based on the study objectives. The objectives of this study were to the factors affecting the growth of construction companies in Addis Ababa.

5.1 CONCLUSIONS

This study aimed to examine the factors influencing the growth of construction companies, including leadership, organizational culture, governmental policies and regulations, corruption, and political instability. The research employed a combination of descriptive and explanatory research methods, collecting primary data through questionnaires administered to contractors ranging from grade 1 to grade 10. A representative sample of 250 valid respondents was selected using a stratified random sampling technique, representing a total of 1,638 construction companies. The collected data was analyzed using descriptive statistics such as frequency and percentage. Additionally, inferential statistics techniques, including Pearson's product moment correlation and multiple regression analysis, were employed to test the various hypotheses.

The research findings emphasize the critical significance of human resource management, leadership, organizational culture, governmental policy and regulation, as well as the detrimental effects of corruption and political instability on the growth of construction companies in Addis Ababa. Human resource factors such as recruitment, training, performance appraisal, and compensation collectively impact the growth and expansion of construction firms. Effective recruitment and selection processes attract skilled individuals, training and development initiatives enhance employee performance and innovation, performance appraisal systems catalyze growth, and competitive compensation packages motivate employees and reduce turnover rates. Leadership with a clear vision, effective communication, timely decision-making, and a commitment to employee development are fundamental for growth in construction companies. A well-crafted organizational culture that prioritizes collaboration, customer focus, creativity, and innovation fosters growth within the industry.

Governmental policies that streamline processes, provide support, and incentivize technology adoption contribute to a favorable business environment for construction companies. However,

corruption negatively impacts growth by eroding ethical standards, increasing costs, and causing delays. Similarly, political instability hampers project timelines, influences investment decisions, and affects government commitment to infrastructure development.

The first limitation of the study was the reliance on self-reported data collected through questionnaires, which may be subject to response bias or inaccuracies. Additionally, the study focused specifically on construction companies in Addis Ababa, and the findings may not be directly applicable to construction industries in other regions or countries. Future research could consider expanding the sample size and geographical scope to increase the generalizability of the findings. Furthermore, qualitative research methods such as interviews or case studies could provide a more in-depth understanding of the factors influencing construction company growth.

5.2 RECOMMENDATIONS

The research findings indicating that underline the positive impact of human resource, leadership, organizational culture, and governmental policy and regulation, along with the negative influence of political instability and corruption on the growth of construction companies in Addis Ababa, the following recommendations are proposed for the two main stakeholders in the construction sector accordingly;

5.2.1 For Construction Companies

- The study found that the performance appraisal system is ineffective in accurately identifying and rewarding employees, and construction companies lack a competitive compensation and benefits package. The recruitment and selection process also lacks transparency. To address these issues, the study recommends that construction companies revise their evaluation methods for accurate performance measurement and feedback. Conducting market research to align compensation and benefits with industry standards, offering competitive salaries, performance-based bonuses, comprehensive health insurance, and retirement plans can attract and retain skilled workers. Prioritizing transparency in recruitment and selection by clearly defining job requirements, advertising widely, implementing fair procedures, and providing feedback to all candidates enhances the organization's reputation and improves the candidate experience.

- According to the findings of the study, most of the construction organization lacks a clearly defined vision, exhibits a deficit in transparent and open communication among all team members, and its leaders demonstrate an unwillingness to take risks. This study recommended that, develop leadership programs to cultivate effective leaders within the organization. Invest in leadership training and succession planning to ensure a strong leadership line. Effective leadership is essential for guiding the company through growth challenges.
- The findings of the study revealed that, the construction company absences a customer-centric approach, does not frequently recognize inclusivity and diversity, and fails to foster a culture that encourages creativity and innovation within the organization. The study recommended that, implement a customer feedback mechanism to understand client needs and expectations better. Furthermore, encourage a culture that values and rewards creative thinking and innovative solutions. Provide workshops, seminars, and resources on topics such as design thinking, ideation techniques, problem-solving methodologies, and innovation management Moreover, create affinity groups or committees to promote diversity awareness and celebrate various cultures and backgrounds within the organization.

5.2.2 For Government Authorities

- The finding of the study revealed that, governmental policies are inadequately support growth construction companies, lack effective financial assistance, fail to incentivize the adoption of new technologies. The study suggest that continue to develop and strengthen policies that support the growth of the construction sector by regulatory reform, promotion of innovation and technology adoption and access to finance. Ensure that regulatory frameworks are clear, streamlined, and conducive to business expansion. Restructure and simplify regulatory processes to reduce bureaucratic obstacles and expedite project approvals for construction companies and establish a transparent and accountable regulatory framework that promotes efficiency and attracts investments in the construction industry.
- The study findings revealed that, corruption leads to an escalation in procurement costs, an increase in construction project expenses, and significant delays in project completion. The

study recommended that implement and enforce robust anti-corruption measures by implement training and awareness programs, establish due diligence procedures and conduct risk assessments. This includes strengthening legal frameworks, enhancing oversight mechanisms, and promoting a culture of transparency and accountability within government agencies.

- The study result shown that, project timelines are significantly hindered by political instability, impacting investment decisions within the construction industry and exerting a highly significant influence on the government's commitment to ongoing infrastructure development. The study proposes that, collaborate with international organizations to create initiatives and incentives that attract and retain investor confidence in the construction sector. Moreover, develop frameworks that balance the interests of the public and private sectors, ensuring mutually beneficial partnerships for the importance of construction companies. Additionally, clearly communicate the economic and social benefits of construction projects to build public support.

5.3 Suggestions for Further Research

Studies need to be conducted using more variables that seem to be pertinent to the study. The studies should be conducted to investigate the interaction of other variables that influence the growth of the factors affecting the growth of construction companies. A replication of the study needs to be done using a larger sample so as to give more insight the growth of construction companies. Other factors that affect the whole the construction companies may also the given an in-depth analysis through a similar study.

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APPENDIX I: QUESTIONNAIRE

Dear Respondents,

This questionnaire is intended to collect responses from construction companies (contractors) located in Addis Ababa. The purpose of this questionnaire is to fulfill the academic requirements for the Master of Business Administration at Addis Ababa University. The study aims to examine the factor that affect the growth of construction companies in Addis Ababa and suggest possible solutions.

Your willingness and cooperation is vital to carry out this research. All the information gathered will be kept strictly confidential and will be used only for academic research and analysis without mentioning the names of individuals companies involved.

If you need any kind of clarification about the question and if you completed the attached questionnaire, you can contact the researcher by Mobil: +251935438581/+251980355275 or e-mail address: belaysew1987@gmail.com

Thank You!

Yours faithfully,

Belaysew Fenta

Researcher

Below is some background information about you and general information about the companies that you work. Therefore; choose appropriate answer by tick "√" on the provided space.

Part-I: Background Information

1] Gender

A) Male ☐

B) Female ☐

2] Your highest education levels

A] Diploma ☐

B] Degree Holder ☐

C] Master and above ☐

3] What is your position in your company?

A] Employee ☐

B] General Manager ☐

C] Owner of the company ☐

4] How many years of experience do you have in the construction industry?

A] 5-9 years ☐

B] 10-14 years ☐

C] 15-19 years ☐

D] 20 years and over ☐

Part-II: General Information about companies

1] Age of the company

A] 5-9 years ☐

B] 10-14 years ☐

C] 15-19 years ☐

D] 20 years and over ☐

2] Your company's specialized work:

A] Building Contractor ☐

B] General Contractor ☐

C] Road Contractor ☐

3] What is the current grade of your company? ☐

Part-III: Factors affecting the growth of construction companies

Below are factors affecting the growth of construction companies. From your experience, kindly express your opinions by tick "√" on the following Likert scale.

Key 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

1. Human Resource

Questions related to human resource	1	2	3	4	5
The performance appraisal system fails to effectively identify and reward employees contributing to the growth of your company.					
Our construction companies do not provide a competitive compensation and benefits package, hindering employee satisfaction and retention for sustained growth.					
Training and development programs in our organization do not contribute significantly to employee skill enhancement and growth.					
The recruitment and selection process in our organization lacks transparency, detracting from its ability to attract crucial talent for company growth.					
Our companies have struggled to retain skilled and experienced employees, hindering sustained growth.					

2. Leadership

Questions related to leadership	1	2	3	4	5
The leadership in our construction firm lacks a clear vision for the company's growth.					
The leadership fails to communicate growth plans and objectives at all levels of the organization					
The leadership makes untimely and ineffective decisions that hinder the growth of our organization.					
The leadership is unwilling to take calculated risks, impeding the pursuit of growth opportunities.					
The leadership in our construction firms neglects the well-being and development of team members, hindering overall growth.					

3. Organizational culture

Questions related to organizational culture	1	2	3	4	5
Collaboration and teamwork are not actively emphasized within our construction firms, hindering its potential for growth.					
Our construction company does not prioritize a customer-centric approach as a key element in attaining growth objectives.					
Inclusivity and diversity are not actively recognized in our construction company.					
Our construction organization does not encourage creativity and innovation, impeding faster growth.					
Our construction firm does not empower employees to take initiative, hindering contributions to the overall growth.					

4. Governmental policy and regulation

Questions related to governmental policies and regulation	1	2	3	4	5
Governmental policies do not effectively support the growth of the construction industry.					
Government does not provide effective financial support programs for construction firms to promote growth.					
The regulatory body has not adequately furnished information and training related to pertinent government policies.					
Governmental policies do not incentivize the adoption of new technologies within the construction industry for growth.					
Governmental policies do not encourage significant investment in infrastructure, negatively impacting construction firms.					

5. Corruption

Questions related to corruption	1	2	3	4	5
Corruption has positive impact on firm growth by faster documentary process and motivation to work harder.					
The prevalence of bribery significantly influences the awarding contracts with in the private or governmental sector					
Corruption can increase procurement cost					
Corruption increases the cost of construction projects					
Corruption contributes to delays in the construction project					

6. Political instability

Questions related to political instability	1	2	3	4	5
The political instability significantly hampers project timelines for our construction companies					
The government approvals for the construction are significantly delayed during the political changes					
Investor perception of political instability is a crucial factor influencing investment decision in construction industry					
Political instability affects the government commitment to consistent infrastructure development, impacting on construction company's growth.					

Part-IV: Growth Measurement using employment growth

Below are some parameters to measure the growth of construction companies using employment size. From your experience, kindly express your opinions by tick "√" on the provided space.

1] Over the past 5 years, how has the employment size of your company's changed?

A] Increase significantly ☐
B] Increase moderately ☐
C] Remained stable ☐
D] Decrease moderately ☐
E] Decrease significantly ☐

2] What are your organazation hiring plans for the upcoming years?

A] Increase workforce significantly ☐
B] Increase workforce moderately ☐
C] Keep workforce stable ☐
D] Decrease workforce moderately ☐
E] Decrease workforce significantly ☐

3] How satisfied are employees with the over work environment during the last five year?

A] Very Satisfied ☐
B] Satisfied ☐
C] Neutral ☐
D] Dissatisfied ☐
E] Very Dissatisfied ☐

4] How do you perceive the overall productive of work force?

A] Very low ☐
B] Low ☐
C] Moderate ☐
D] High ☐
E] Very high ☐

Thank you!

APPENDIX II: Multicollinearity test results

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.506	.170		-2.968	.003		
	HumanR	.869	.046	.706	19.021	.000	.611	1.637
	Leadership	.127	.056	.092	2.279	.024	.513	1.948
	OrganizationC	.122	.061	.104	1.986	.048	.306	3.270
	GOVPR	.242	.054	.221	4.508	.000	.349	2.863
	Corruption	-.115	.047	-.092	-2.445	.015	.598	1.672
	PoliticalInstability	-.111	.043	-.100	-2.549	.011	.546	1.830
a. Dependent Variable: GrowthCC								