

# **KEEPING OVERHEADS UNDER CONTROL IN QATARI CONSTRUCTION INDUSTRY GENERAL**

**Rim EL HAJJEH**  
ISEOR Research Center  
University Jean Moulin Lyon 3  
(France)  
University of Balamand  
(Lebanon)

## **INTRODUCTION**

According to Deloitte Middle East's report GCC Powers of Construction 2015: "Construction – The Economic Barometer for the Region, the value of projects planned and underway in the Gulf Cooperation Council (GCC) in 2015 reached USD172 billion (QAR626 billion)". Of the top 100 projects within the GCC, Qatar has a share of 9.3 percent. The country's construction industry is growing at an exponential rate. In 2014, its real growth rate stood at 18 percent, making it the fastest-growing construction market in the region, according to BMI Research. In the light of these figures, the annual average growth rate of Qatar's construction industry is expected to reach 11.4 percent between 2015 and 2022. Furthermore, the sector is expected to stay bullish at a growth rate of 10.2 percent for at least another 10 years.

## **PROBLEM STATEMENT**

With such rapid growth, however, the sector has faced numerous challenges, some of which are late payments, inflation and project delays. Getting paid can be hard for any business, but getting paid in the construction industry is especially difficult. Indeed, learning how to implement a strong receivables management program is crucial when it comes to getting paid, and getting paid on time. Delayed payments are too common and can affect the whole supply chain. They are also almost taken for granted to an extent that the contract terms will be ignored or only used when convenient. In this regard, many questions arise: What are the parameters and policies that should be applied to reduce default rate? How to increase receivables collection?

Another major challenge that the sector in Qatar is facing for the last three years is the low level of cash flow. The same is the result of the high number in the receivables balance and more importantly the delay in their payments. In addition, due to the huge competition that they face in the construction sector in Qatar the margin in service is kept low the sector is facing a big challenge in increasing their profitability. Furthermore, most companies are striving to mastering and keeping under control the overhead. It is very difficult to hire qualified people and technicians because of the complicated and lengthy process of obtaining an

approval on a sponsorship and because of the expenses that an employee has to face in Qatar which by itself is another problem that the company is facing. The study will consider the following questions:

- What are the complications and obstacles faced by constructors and subcontractors in the gulf region, specifically Qatar?
- What are the dysfunctions raised in a medium company operating in such environment?
- What are the tools and means that can improve the situation and enhance managerial steering through socio-economic diagnosis and project processes, both at the top management level and in the various departments of a company?

### **CORE HYPOTHESIS**

Based on the aforementioned, this research will be conducted in a finishing and architectural company in the state of Qatar. Therefore, it is important to highlight the importance of the construction field in the region and to explore its corresponding challenges. It is indeed crucial to acknowledge that in order to cope with the risks of delayed payment in Qatar, construction contractors and sub-contractors can increase their margin through converting internal hidden costs into value creation. In order to cope with the risks of delayed payment in Qatar, construction contractors and sub-contractors, FINAR Company in our case, can increase their margin through converting internal hidden costs into value creation. This process requires enhanced managerial steering through socio-economic diagnosis and project processes, both at the top management level and in the various departments of a company. Having said that we present the core hypothesis:

***Creation of human potential through applying SEAM improves the efficiency of productivity, decrease projects costs and maximize the overall financial performance of the company.***

### **DESCRIPTIVE HYPOTHESIS**

- The company has leeway because there are untapped potentials there. There are hidden costs that can be converted into value added creations and it will help the company to save money.
- FINAR is facing major difficulties and has many untapped potentials that can be converted into additional profit otherwise it will bear the risk to absorb all the costs and consequences resulting from the delay in payments. In order to cut costs the company has to find new opportunities.

### **EXPLICATIVE HYPOTHESIS**

- FINAR is operating with many dysfunctions and untapped potentials that were observed during the interviews, which can be converted into potential profit.
- Root problems linked with this hidden cost like:
  - Lack of information system,
  - Not being sensitized to hidden cost,

- o Lack of synchronization,
- o Lack of clean up and lack of negotiation.
- o Lack of communication between departments
- o The company needs a coherent tool like Competency Grid.

#### PRESCRIPTIVE HYPOTHESIS

- o The Company will learn through contingency principle but generic into SEAM.
- o It will be implementing the Competency Grid along with the IESP (internal and external strategic planning).
- o It will help the company to move from reactive strategy to proactive.
- o The company have to think of enhancing the vigilance through the strategic vigilance planning and implementing the observer of untapped potentials of each field.

#### RESEARCH FIELD

The paper will study the case of Finishing and Architectural Supply (FINAR), a company located in Qatar, using SEAM research methodology. FINAR is a grown and highly experienced company; it is a widely spread company with branches in Spain, Italy, Lebanon, KSA, Brazil, Turkey, and Qatar. FINAR is also a reliable supplier and installer/application of marble, granite, gypsum, natural stone, paint, wall paper, GRC, etc. products in Qatar. Based on the company profile, FINAR is dedicated to promote elite global products to its customers in Qatar and guarantees integrity at work. Every employee at FINAR is pampered in order to highly achieve in his / her field in what maximizes the quality of products and the satisfaction of customers.

Finar Objectives:

- Hiring Qualified People & Technicians
- Mastering/Keeping the Overhead under Control
- Increasing the Margin on their Services
- Limiting the receivables rate and increasing the collection rate

#### Research Methodology

The researcher will conduct the study using the Socio Economic Approach to management (SEAM) methodology and will employ the Qualimetric Approach and apply the Action Research (AR) principles. The study will draw on the Qualimetric intervention-research methodology. Intervention Research is a sort of consulting, provided as a scientific tool of management. It encompasses a tri-dimensional perspective: describe, explicate and transform. SEAM: The key to SEAM's effectiveness is calculating hidden costs that normal accounting overlooks, working with the whole organization, and developing a human potential in the organization. SEAM begins with the leaders of the organization, assessing what is not functioning well, and correcting these dysfunctions. The interventions combine the diagnosis and correction with the introduction of six management tools, assessment of hidden costs, and political and strategic aspects

of the change process. At the heart of SEAM is the dual emphasis: reduce hidden costs and then develop the human potential of all the employees. SEAM is based on a set of values and a belief system about management that is different from traditional management premises

The intervention has already started and two meetings have been already conducted. The MD of the company showed a lot of support and confirmed his willingness to provide all possible help, sign necessary documents and get involved personally in what serves the objectives of this research.

Interviews with 5 head of departments have been conducted during the horizontal diagnosis. The same resulted in 4 baskets. Project groups for each basket have been agreed on during the first mirror effect. It will also build on calculations of hidden costs and several sessions of training and focus groups.