

COST OVERRUN FACTORS IN CONSTRUCTION INDUSTRY OF PAKISTAN

By

**OWAIS SIDDIQUI
31392**

A thesis presented to the Department of Management Sciences, Bahria University
Karachi Campus, in partial fulfillment of the requirements
of the MBA degree



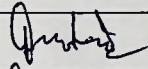
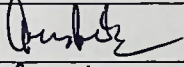
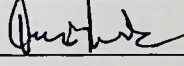
FALL, 2015

Bahria University Karachi Campus

2nd Half-Semester Progress Report & Thesis Approval Statement

Name of Student	Owais Siddiqui
Registration No.	31392
Thesis Title	Cost Overrun Factors in Construction Industry of Pakistan

Supervisor-Student Meeting Record

No.	Date	Place of Meeting	Topic Discussed	Signature of Student
5	26/11/15	University	Data Integration	
6	6/12/15	University	Critical Debate	
7	24/12/15	University	Conclusions & Plagiarism	

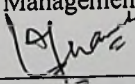
APPROVAL FOR EXAMINATION

Candidate's Name: Owais Siddiqui

Registration No. 31392

Thesis Title: Cost Overrun Factors in Construction Industry of Pakistan

I hereby certify that the above candidate's thesis has been completed to my satisfaction and, to my belief, its standard is appropriate for submission for examination. I have also conducted plagiarism test of this thesis using HEC prescribed software and found similarity index at --- that is within the permissible limit set by the HEC for the MBA thesis. I have also found the thesis in a format recognized by the Department of Management Sciences.

Supervisor's Signature: 

Date: January 13, 2016

Name of the Student: Owais Ahmed Siddiqui

ABSTRACT

Purpose: The major aim of this study was to identify most important and different factors responsible for the cost overrun in the construction industry. It basically correspond to include various factors to be studied in great details that based different management and regulatory contexts.

Methodology: The study involved the use of questionnaires filled by 100 respondents from 10 construction companies of Karachi. The respondents belonged to different age groups, different income level, job experiences, and job level and residing in different areas. The integration of data was conducted by using SPSS which further was analyzed by Principal Component and Factor Analysis (PCFA).

Findings: The complete analysis of the data reveals different contributing factors responsible for the cost overrun that may further cause delay in competing respective projects within time. These three most significant factors that are responsible for cost overrun include improper managerial applications with the factor value of 0.905 followed by raw material-fluctuation in price and inadequate financial management with the factor value of 0.865 and 0.816 respectively. In that respect, the secondary source of data is also evaluated based on identifying the context of different kinds of projects completed or under process.

Practical Implications: It is observed that one of the major factors contributing cost overrun in the construction companies include improper managerial applications which is then followed by raw material-fluctuation in price and inadequate financial management. Based on this analysis, it is suggested to make suitable measures for avoiding these issues that subsequently form the basis of overall cost overrun in the projects. It correspond to involve systematic design and regulation of management which preferentially include the context of effective strategic design and implementation, proper management and planning which correspondingly involve frequent coordination and use of professional approach from the respective professional representatives working in the construction companies.

Keywords: Cost Overrun, Managerial Activities, Construction, Stabilization

Table of Content

2nd Half-Semester Progress Report & Thesis Approval Statement.....	i
Declaration of Authentication	ii
List of Tables	iii
List of Figures.....	iv
First Page of Plagiarism Report.....	v
Acknowledgement	vi
Abstract.....	vii
Chapter 1-Introduction	1
Background	1
Research Questions.....	2
Aim of the Study.....	2
Research Objectives.....	2
Research Scope	3
Time Horizon.....	3
Limitations of the Study.....	3
Ethical Considerations	3
Organization of Thesis.....	4
Introduction to Construction Industry.....	5
Chapter 2-Literature Review	6
Construction Industry and the National Economy.....	6
Impact of Cost Issues on the Construction Industry of Pakistan	7
Overall Impact of Cost Overrun in Construction Industry	8
Factors Associated with Cost Overrun	9
The Managerial Factors Associated with Cost Overrun in Construction Industry	10
Conceptual Framework.....	12
Hypotheses.....	12
Chapter 3-Research Methodology	13

Nature of Research.....	13
Research Design.....	13
Data Collection Method.....	13
Primary Data Collection.....	13
Secondary Data Collection.....	13
Sampling Technique and Sample Size.....	14
Data Collection Instrument.....	15
Data Integration Method.....	15
Chapter 4-Data Integration and Data Analysis.....	17
Personal and Demographic Information Analysis of the Respondents.....	17
Reliability Analysis of Cost Overrun Factors.....	20
Severity Ranking.....	20
Principal Component and Factor Analysis (PCFA).....	21
Chapter 5-Critical Debate and Discussion.....	24
Chapter 6-Conclusion and Recommendations.....	277
References.....	299
Appendix.....	311
Survey Form.....	311