Middle East: Opportunity for Greek Construction Industry

Prof Dimitrios P. Kamsaris
Bilston Community School, UK

Stefanos Kougoulos, Lecturer,
Bilston Community School, UK

Synopsis

There are numerous problems faced by Greek construction firms due to the financial crisis over the last two years and the way companies followed in order to survive.

The European Union funding for large infrastructure projects in Greece has remained in the initial phase. Moreover, various projects such as highway extensions and improvements have been stopped due to the bank loan being inaccessible and shutting of lines of credit. Another major problem faced by construction firms due to the economic crisis is that the government owes more than 2 billion euros for works already carried out. These debts have negative impact even on the largest local companies.

Looking for ways of survival, many Greek construction firms expanded their activities abroad. It is mentioned by industry executives that today, local firms are turning their activities abroad in order to stay active during the period of crisis, while in the past the projects that were undertaken abroad were focused on boosting firms’ revenues and scope.

Greek firms follow the way towards the Balkans, the Middle East (ME) as well as the Central and Eastern Europe, due to the expertise and knowledge of local conditions. Many infrastructure projects were announced by the UAE and Saudi Arabia, at the end of the local economic crisis. The result was the expansion of the Greek construction firms activities in ME region. It is noticed that Saudi Arabia alone commissioned infrastructure, industry, real estate and transportation projects worth a total of approximately 60 billion euros in 2011, raised by 125 percent compared to 2010.

For large Greek construction firms such as GEK Terna, Ellaktora and J&P Avax, which have both the experience and the know-how required, the ME area is an opportunity for expanding their activities. For instance, GEK Terna has undertaken projects in Bahrain and Qatar worth a total of 138 million, has already opened a subsidiary in Saudi Arabia and is carrying out works in Bulgaria and Serbia worth 38 million euros. Also, Ellaktor is active in the Middle East and in Southeastern Europe, and J&P Avax operates on a pipeline of projects worth 1.7 billion euros, 40 percent of which concerns overseas infrastructures in Cyprus and ME.

Business dilemma – research question

Before the financial crisis in Greece, the expansion of the major Greek construction firms in the Southeastern and Middle East markets was one of the three basic axes that their strategy was based on, in order to have the financial volume increased and great development potential created (Papaioannou, 2008). During the financial crisis period,
due to the lack of new public works such as major road projects, most Greek construction firms were pushed to turn abroad in order to recover their losses.

According to the article already briefly described above, by the expansion of the Greek constructions firms activities abroad, a more secure environment is created where they will be able to remain active during the period of crisis. However, the opportunities developed for the construction firms in ME, Balkans and CE Europe, are available only for the companies that have both the experience and the know-how required in order to be competitive and effectively operating in these countries.

Going through the above article an opportunity for a survey is developed. An investigation concerning the profile and the skills that Greek firms should have in order to have successful business abroad, would be kind of interest. For many construction companies already activated abroad as well as local firms that are interested in getting the first international step, the results from such survey would be very considerable. Therefore, the research question developed within the already mentioned business dilemma concerning a Greek construction firm is the following:

- What are the required qualities in order to overcome the barriers to entry?

**Conceptualizing Project Management**

Project, according to PMBoK (2008) is a temporary endeavor with a definite beginning and an end, undertaken to create a unique result. Nwachukwu, Ibeawuchi and Okoli (2010) argues that project management constrains include effective and efficient use of project techniques for overall project performance planning and control.

According to Munns and Bjeirmi (1996) there is an overlap between projects and project management concepts because of three factors, i. time frame: project success is observed at the end of the project management phase, ii. confusion of objectives: the objectives of project success and project management success are interlinked, and iii. ease of measurement: two of the objectives within project management are easy to be measured quantitatively.

**Project Management**

Heldman (2005) defines project management as the process that brings together a set of tools and techniques to identify, organize, and monitor the work of project activities, establishing project objectives and taking into consideration balancing constraints and the key stakeholders’ expectations. Additionally, Kerzner (2010) advocates that project management contain the glue of the activities for careful selection, coordination, programming, budgeting, and monitoring activities during the development process.

Kerzner (2010) also describes that the steps of the development process include the definition of the objectives, the determination of the task required to complete it, the decision on important project milestones, the estimation of the duration, the planning of the most efficient organization of tasks, the allocation of resources, and the re-evaluation of the process.
Contemporary Project Management

Contemporary project management implementation techniques appeared by the early 1950s from U.S. Defense Department’s development of the Polaris missile project, followed by the automotive, movie industries, and private and public engineering organizations (Project Management Manual, 1997).

In today’s competitive business environment, the implementation of project management techniques is a prerequisite, since delivering projects in the least possible time, with maximum quality and minimum cost is of critical issue. The existing literature proposes that the quality of a project can vary in relation to time and cost constraints i.e. when the time is decreased, in order for the quality to be sustained, the cost of the project will raise (Ghodsi, Skandari, Allahverdiloo and Iranmanesh, 2009).

Furthermore, in the construction industry a project is completed as a result of a combination of numerous events and interactions, planned or unplanned, over its duration. (Sanvido et al., 1992 as cited in Chan, 2001).

International Construction Projects

Management of internationally activated projects requires the cooperation of geographically and culturally diverse teams (Freedman and Katz, 2007). As mentioned in FIDIC (2011), during the last years the MENA region is growing with construction projects varying in size and technical complexity, requiring cooperation between local companies with knowledge and the expertise of norms and practice and international companies able to perform these projects successfully due to the transfer of knowledge.

As experience with these international project partnerships grows, the organizational competencies needed for success are emerging. (Freedman and Katz, 2007). However, there are differences between local practices and the best practices being followed internationally, raising the awareness (FIDIC, 2011).

Conducting projects in different countries increases complexity and the geographic distances, language barriers, and cross-cultural gaps that are typical of an international project environment introduce additional risk (Freedman and Katz, 2007).

Middle East and North Africa Region

In the MENA region, the economic reform, and the values of transparency, fairness, accountability, and responsibility are considered essential (CIPE, 2011). The countries of the region are expected to reach high growth rates as reflected by the research of World Bank (2011).

Statistics provided by the Global Research (2011) referred to MENA region, appears that the growth accelerated to 4.1% in 2011, from 3.8% in 2010 and from 1.8% in 2009. Overall projects market size in 2010 stood at USD2.1tn with almost 75% of projects to
be ongoing, with Saudi Arabia stood out with a backlog share of 29% followed by 20% of UAE (Global Research, 2001).

**Recommendations**

The present research is conducted for the MENA region, with international construction companies activated in the area.

In the future, other researches could be conducted either for international construction companies in other parts of the World, i.e. India, or for different industries in MENA region. Further to the present research, expanding the contemplated research on the international companies currently activated in MENA’s construction industry, precious data concerning how they benefit from the region could be provided.
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About the Authors

Dr. Dimitrios P. Kamsaris

Dr. Dimitrios P. Kamsaris is a Professor of Management and Chairman of the Academic Board at Bilston Community College in the UK. He has been acting as a Visiting Professor at numerous Business Schools in France, UK, Denmark, Cyprus, and Greece. Dr. Kamsaris has completed postdoctoral education at Harvard University. He held CEO and managerial positions in Coca-Cola, Sherwin Williams, Olympic Games, Shell, and D Constructions. Today, he serves as a member of the Board of Directors and management consultant. Furthermore, he trains public & private sector executives in the UK, Denmark, Cyprus, and Greece. He is published in business and academic journals and is a chartered member of the Cyprus Human Resource Management Association. e-mail: dkamsaris@yahoo.gr

To see other works by Dimitrios Kamsaris, visit his author showcase in the PM World Library at http://pmworldlibrary.net/authors/dr-dimitrios-p-kamsaris/

Stefanos Kougoulos

Mr. Stefanos Kougoulos is a Lecturer and Researcher in Project Management at Bilston Community School in the UK. He has extensive experience as a procurement engineer. His main responsibility is within the purchasing and investment department of the major oil seeds processing industry and maritime company in Greece, since 2006. In the past, he has collaborated with technical naval bureau as a surveyor and drawing engineer. Mr. Stefanos Kougoulos holds a Master of Science degree in Construction Project Management from Heriot-Watt University, as well as a Bachelor degree in Mechanical Engineering. During his postgraduate thesis he conducted a research on the way the Project Success Factors Affect the Residential Construction Projects in Greece. e-mail: skougoulos@yahoo.com

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