

**FACTORS INFLUENCING PROJECT IMPLEMENTATION IN  
DEVELOPING ECONOMIES; THE CASE OF TIOMIN KENYA LIMITED,  
KWALE COUNTY, KENYA**

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**A RESEARCH PROJECT REPORT SUBMITTED IN PARTIAL  
FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF DEGREE  
OF MASTER OF ARTS IN PROJECT PLANNING AND MANAGEMENT  
OF THE UNIVERSITY OF NAIROBI.**

**2012**

## **DECLARATION**

I hereby declare that this research project report is my original work and has not been presented for a degree at any other university.

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This research project has been submitted for examination with my approval as the candidate's University Supervisor.

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## **DEDICATION**

I dedicate this work to my loving family my Mum Ng'endo, my brother Muya, and Sisters Dr. Wangui and Tracy not forgetting my baby Lloyd for their support, encouragement and patience during the entire period of my study and continued prayers towards successful completion of this course.

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## **ABBREVIATIONS AND ACRONYMS**

EIA	Environmental Impact Assessment
FDI	Foreign Direct Investment
GOK	Government of Kenya
KSHS	Kenya Shillings
MOU	Memorandum of Understanding
MUHURI	Muslim for Human Rights
NEMA	National Environmental Management Authority
NGOS's	Non Governmental Organizations
TKL	Tiomin Kenya Limited
TSX	Toronto Stock Exchange
USD	United Stated Dollar

## ABSTRACT

The purpose of the study was to determine the factors that influenced implementation of projects within developing economies and a specific case study was picked from existing Tiomin Company in Msambweni constituency in Kwale County. The study was guided by five objectives; to establish the government goodwill and effective leadership for project implementation determine the community goodwill for sustainable project implementation, assess the financial viability in project implementation in developing economies, know the effectiveness of technical Expertise and finally, establish the company management behaviours in sustainable company project implementation in developing economies. The literature reviewed showed the extent of the factors in the overall determination of project implementation in developing economies as stated in the conceptual framework. Prior literature has indicated that Kenyan Companies possess different characteristics and thus strengths and/or weaknesses compared to others in developing economies. As such, the collection of data on the profile, government, community goodwill, technical expertise, financial viability and management behaviours was paramount and significant. A quantitative, descriptive design was used to study a sample of 180 respondents taken for the study. In the process of answering the basic questions, a questionnaire that include profile, government, community goodwill, technical expertise, financial viability and management behaviours, factors that influenced the project implementation in developing economies. The study was carried out using a structured questionnaire for respondents and a discussion guide for key informants all administered based upon the theory of planned company behavior. This study sought to describe the characteristics of certain companies, estimate the proportion of people who have certain characteristics and make predictions. Stratified sampling method was used to compare company practices at the same point in time. The design was chosen for this study due to its ability to ensure minimization of bias and maximization of reliability of evidence collected. The research was also guided by a null hypothesis; community goodwill influenced project implementation in developing economies. Review of relevant literature revealed that mining industry as a whole has a poor track record in management behaviours, government goodwill, designing and implementing sustainable projects in the field indicating the need for conducting research to establish factors that influence project implementation in developing economies. The respondents for the study were purposively and randomly selected. Direct observation was used to collect data on completed and continuing project activities. The collected data was cleaned for possible errors presented in tables, organized, coded and inputted into the computer for analysis using Statistical Package for Social Sciences to generate tables, frequencies and percentages. The Null hypothesis was subjected to a Chi-square test at 5% confidence level which established that there is a significant relationship between community resilience and project implementation in developing economies.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the study

An investor in a mining project views her activities in terms of ensuring a flow of raw materials to downstream operations at acceptable costs and risks of supplying of financial resources for the investment. The host country government may express a mining project in terms of converting the “national wealth in the soil into national wealth in the form of improved gross domestic product” (Cobbe, 1979). From this perspective, the investor and the entrepreneur have reasonably well aligned objectives of making the venture viable. However, maintaining a proper investor incentive to invest and a corresponding entrepreneur initiative to participate in the project is subject to the actual and perceived fairness in the distribution of benefits and control of the project.

Mikesell, (1971) writing on investor-host country relations asks the following question: “Why should a country which holds substantial mineral wealth in the ground ever agree to concession contracts with international companies? Could it not develop the resources itself and thus capture all the cash flows produced by exploration of the resource?” (Mikesell 1971, p.38). Similarly, Vauhkonen, (2003, p. 9) asks: “why the entrepreneur (GOK) which has all bargaining power ex ante and ex post would ever relinquish any control rights to the investor?”

To answer these questions, Mikesell (1971) argues that lack of knowledge and skills about the mining industry and financial constraints compels the entrepreneur (host government) to cede cash flow and control rights to an investor to signal congruence of objectives and induce her to finance the project (Dessein, 2004; Sahlman, 1988). Initially, the government is bound to believe that any positive return from mining is better than nothing and resources that are undeveloped are of no use whatsoever; and that, if developed by an investor who is prepared to accept the risk, any return is a positive gain (Mikesell, 1971). However, many conflicts in the mining industry suggest that initial mining agreement do not address optimal level of cash flows and controls rights.

The government of Kenya (GOK) and Tiomin Kenya Limited signed a fiscal agreement on July 16 2004 granting Tiomin Kenya Limited to mine titanium ores in Kwale District. The signing of the agreement was a culmination of years of negotiations on the sharing of financial benefits and control of the mining project. In this study, we evaluated the twin issue of optimal cash flow rights and control rights between the government and Tiomin Kenya Limited.

Titanium mining project is a financial contract, a financial deal made between financiers (Tiomin Ltd) and those who need financing (GOK). The objective of GOK and Tiomin Kenya Ltd is to maximize the shared values created by the contract.

Financial contracts are agreements that specify the rights and responsibilities of contracting parties. In pure competitive markets, the existence of potential gains from trade generates trade automatically with little or no need for legal rules or institutions to facilitate economic exchanges implying that the contract is optimal (Nicita and Panago, 2003). Such a contract specifies the optimal actions in every future contingency and leaves no residual decision making rights without being explicitly contracted. The contract is said to be optimal in the manner it satisfies the investment needs of contracting parties. An optimal financial contract motivates efficient investment ex-ante and ex-post.

Many financial contracts however do not occur under perfect market conditions. As a result, the contracts are agreed before some uncertainty is resolved (ex-ante) in the hope that assumed conditions will apply or the contract will be enforced ex-post. The main reasons for this phenomenon is that high transaction costs and asymmetrical information acts as a source of market failure resulting in inefficient outcomes. Contracts of this type have been classified as incomplete in the sense that they do not specify the optimal actions in every future contingency and leave residual decision making rights without being explicitly contracted. In such a case the ownership of asset theory gives residual control rights to the owner of assets the power to take care of unspecified contingencies and to organize the production process involving own assets (Nicita and Panago, 2003).

A study on optimal contracting problem by Cestone (2006) of an early start-up seeking venture capital found that contractible and non-contractible factors are crucial for start-up success. Cestone (2006) argued that an appropriate of financial claims (cash flows) and control rights can enable an entrepreneur have initiative in the venture and to induce an investors support without the investor exercising too much control on the projects/firms. The question is; how can an optimal financial contract (that encourages entrepreneur's initiative and induces investors support) be determined? How are cash flows and risks in the project allocated? How is control allocated? What are the incentives in the deal? What is the effect of investors' high-powered claims to entrepreneurial initiatives?

In our study, we look at two simple versions of common arrangements for sharing risks and rewards on one hand and sharing control rights in the project on the other. Titanium mining project typifies a venture capital deal. The contract shows increasingly tension ridden as the host government (GOK) and the investing company (Tiomin Kenya Ltd) explores each other's limits in the proposed sharing of financial benefits and control of the project, yet there remains a real mutual interest between the parties to develop the resource and achieve a balance (optimality) in the sharing of benefits.

Tiomin Kenya Limited and the Titanium Mining Project in Kwale District Tiomin Kenya limited is a wholly owned subsidiary of Tiomin Resource Inc. of Canada. The company was granted an exploration license for the Kwale project in 1997. It completed the baseline study in 1999 and initiated work on the environment impact assessment that was finalized in 2000. The enactment of the Environment Management and Co-ordination Act in 2000 required additional work on the assessment. Further issues arose about the settlement of residents affected by mining project. The government also attempted to gain equity participation in the project, which Tiomin Kenya Ltd declined.

In February 2004, the Government agreed that the project should go ahead without its equity participation. The issue of resettlement of local population was settled in June 2004 by the government. A 21-year mining license for rutile and associated minerals was formally approved and signed by the government in July 2004. A fiscal agreement was signed in February 2005 granting Tiomin Resources a fifty percent (50%) reduction in corporate tax rate for first ten years of commercial production, and 2.5 percent gross revenue royalty to the government. Corporate

tax is 30 percent Tiomin Resources has invested about US dollars 20 million since 1997 in exploration, engineering, feasibility and environmental studies on the Kwale project and three other projects in the same area. Estimated development costs are \$ 120 million to generate cash flows of around \$ 40 million in the first six years with a payback period of 4-5 years.

Analysis from the above statistics shows that Tiomin Kenya Ltd cash flows rights will be 83 percent against 17 percent for the government in the first ten years. Thereafter, cash flow rights will change to 68 percent for the company against 32 percent for the government.

Tiomin Kenya is 100 percent owned by Tiomin resources Inc of Toronto Canada. A Kenyan lawyer acts as Kenya Director with shares held in trust by Tiomin Resources Inc. There are no other Kenyan Shareholders.

For the purposes of this research, a project could be defined as a complex non-routine, one time effort limited by time, budget, resources and performance specifications designed to meet customer needs. Whereas project management is a set of tools techniques and knowledge that help to achieve the three main constraints of scope, cost and time; (Attrarzadeh et al 2008).

Project management is a set of tools, techniques, and knowledge that, when applied, helps to achieve the three main constraints of scope, cost and time. Jiang & Klein (1999), Bourne & walker (2003) provided guidance as to what factors influence a projects success.

These factors were namely first the level of expertise, knowledge, skill and experience of the project manger and project team, secondly appropriate and consistent use of project management tools, processes and methodologies, thirdly alignment of the outcomes of the project to organization strategy, fourthly managing expectations of project stakeholders, fifth appropriate, timely and consistent involvement of users and managers and lastly timely management of risk.

All this begs for the question whether a project attain all the above factors are on time, on budget and delivering its full scope and yet be considered as a failed project. However, based on literatures from Attrarzadeh 2008, 52.7% of projects implemented worldwide were not able to complete on time and over cost, and 31.1% not fulfilled the scope.

## **1.2 Statement of the problem**

In the early 2004, highlights were clearly made regarding the proposed titanium mining project in Kwale District. The major concern was that the failure of the proposed company to kick off; and the distribution of benefits as well as the control of the venture was skewed in favor of Tiomin Kenya Ltd. Environmental activists too were concerned that expected monetary returns from the project had overshadowed environmental matters and the plight of local residents displaced by the project.

The concerns expressed above were attributed to the following factors. First, lack of adequate information and independent valuation of the mineral resource acted as an impediment in the fair analysis of the proposed distribution of benefits between Tiomin Kenya Ltd and the Government. Second, there was an unverifiable input in to the production process that is not contractible; yet, it affects the value of the project. The subjective judgment about the fairness of the reward of the non-contractible inputs by foreign investor relative to the reward for inputs by the government as the famed theory of equity by J. Stacy Adams (Wehrich and Koontz, 1993) would anticipate required that there be a balance in the outcome-input relationship of the participating parties to forestall the risk of parties overestimating their own contribution and rewards that others receive. Third, there were non-economic and emotional preferences for government control over foreign-investor control of the project. Yet, the principal (GOK) cannot initiate complex investment decisions because she does not have the right incentives for the project.

To analyze goodwill between the Government of Kenya (entrepreneur) and Tiomin Kenya Limited (investor or venture capitalist), we used studies on social-economic and technical deals as their design corresponds fairly well to titanium mining project. Theoretical and empirical studies on Tiomin contracts conclude that its cash flow rights, control rights goodwill and technology vary with time, risk associated with states of nature and the level of financing. At the pre-revenue stage when states of nature were unfavorable and the level of uncertainty was high, investor was allocated more rights.

From the above review, it was clear that none of the above studies had looked at the issue of individual determinants of project failure in the mining industry in Kenya. Using a case study

methodology, this analysis will provide information of how those aspects of financial contracting have been done in Kenya.

### **1.3 Purpose of the Study**

The purpose of the study was to examine on the general factors influencing project implementation in developing economies taking a specific focus on Tiomin Kenta Limited in Kwale County.

### **1.4 Objectives of the study**

The study was guided by the following objectives:

1. To establish the influence of government goodwill in company policy implementation and effective leadership to project implementation in developing economies.
2. To determine the community goodwill to project implementation in developing economies in Kenya.
3. To assess the financial viability to project implementation in developing economies in Kenya.
4. To know the effectiveness of technical Expertise in to project implementation in developing economies in Kenya.
5. To establish the effect of adherence in company management plan to project implementation in developing economies in Kenya

### **1.5 Research Questions**

The study attempted to answer the following research questions:

1. How does government goodwill in company policy implementation and effective leadership influence to project implementation in developing economies?
2. How does community goodwill influence to project implementation in developing economies in Kenya?
3. Is the financial viability an influential factor in to project implementation in developing economies?
4. How effective can technical Expertise be influential to project implementation in developing economies?



5. How does adherence to a company management plan influence project implementation in developing economies in Kenya?

### 1.6 Research Hypothesis

This study tested the following hypothesis:

#### Hypothesis 1

$H_0$  :  $\mu$  = There is no relationship between government goodwill in company policy implementation and project implementation in developing economies.

#### Hypothesis 2:

$H_1$  :  $\mu \neq$  Community goodwill has a relationship to project implementation in developing economies in Kenya.

#### Hypothesis 3:

$H_0$  :  $\mu$  = There is no relationship between financial viability and project implementation in developing economies.

#### Hypothesis 4:

$H_1$  :  $\mu \neq$  There is no relationship between technical expertise and project implementation in developing economies.

#### Hypothesis 5:

$H_0$  :  $\mu$  = Company management plan influences project implementation in developing economies.

### **1.7 Justification of the Study**

The struggle to attain sustainable development especially in Africa has for a very long time now been associated with foreign investments. Investors have over the years increased investments in the developing countries the aim to improve Country's revenue and community livelihoods. Many Countries have created Investor dependent projects in the effort to attain these goals. It is anticipated that these investments will sustainably elevate the social and economic welfare of the grassroots citizens, whence improving their standards of living. Thus, one of the assumptions of Foreign Investors through the government would be to pursue poverty reduction as a goal and sustainability of Foreign Investors' aided programs as a major development value and principle.

Globally, Foreign Investors is increasingly being criticized for not realizing real impact on the target programs and beneficiaries of programs. For Africa, the question of why foreign investment is not working has not been answered for a long time, and the search for a solution continues. The Foreign Investors in Kenya, the right hand counterpart of donors, have been awarded significant amounts of money with the aim to fight poverty and increasing revenue income, yet the situation for the investment projects does not seem to change for the better.

### **1.8 Basic Assumptions of the Study**

The study was built on the following assumptions;

1. The respondents would respond to the questions truthfully and to the best of their knowledge so as to help in generating accurate information from the data collected.
2. The number of questionnaires (the chosen sample size) would be adequate to help in drawing valid conclusion.

### **1.9 Significance of the study-**

The study was significant to a number of stakeholders including the following:

The study helped the researcher to acquire knowledge and understand the factors that influence project failure in Kenya with specific focus to Tiomin Kenya Limited in Kwale County.

It helped the government to understand the extent of companies failed to perform as well help in planning on equitable distribution of its support local companies especially Tiomin in Kwale. It

also helped the government to understand the role that various stakeholders played in projects and helped create a synergy that would be beneficial to the government.

The study assisted the Tiomin Kenya Limited on how to position their entrepreneurship output relating to the performance of companies and services required.

The study further contributed to the development of knowledge on the role of business networks in enhancing Tiomin project implementation in Kwale.

It could be one input to existing Tiomin and potential investors to alleviate the problems that Tiomin faced.

This study also helped the public to know and understand different criteria used in assessing failure of projects; the community role, function, importance and impact in sustainable development as well as nation building.

#### **1.10 Delimitations of the study**

The study evaluated the population by selecting and studying a selected sample in Kwale County in order to determine the measure and the way of distributing the variables. Kwale County on its own has four (4) districts namely Matuga, Kinango, Msambweni and Lunga Lunga. This study had described the geographical segmentations as strata, and estimated the proportion of respondents which had certain characteristics and made predictions for the purpose of this study. Again, the districts were sub-divided into Divisions, Locations and ultimately sub-locations where the selected respondents from where the data for this study would be collected.

#### **1.11 Limitations of the study**

The key limitations facing this study are:

The research required a lot of money to ensure that all logistical issues are taken care of; such as provision of stationery in terms of questionnaires. The research assistants were paid allowances and this cost a lot of cash. This therefore forced the researcher to acquire a loan from a financial institution in order to meet the demands of the research project.

The respondents understanding on the questions that were asked required quite a lot of explanations because of their sensitivity. A lengthy discussion therefore had to be done to ensure that all the questions set up were well understood as well as understanding how all the sensitive questions would be framed.

Besides this, some saw the questionnaire politically even though orientations were made. Furthermore, some respondents were not willing to fill the questionnaires. A lot of rapport was done between the enumerators and the respondents to ensure that conducive environment was set before the questionnaire was filed.

### **1.12 Definition of significant terms**

**Private Investment:** An injection of capital into a business from a private investor.

**Project Failure:** It is when a project is not delivered on time & within budget.

**Project Success:** It is when a project satisfies stake holder groups; meets requirements; meets quality expectations; delivered within cost and deadline; delivers sustainable and actual benefits and provides the team with professional satisfaction and learning.

**Stakeholders:** They are the end-users or clients, the people from whom requirements will be drawn, the people who will influence the design and, ultimately, the people who will reap the benefits of the completed project.

**Titanium:** A strong, low-density, highly corrosion-resistant, lustrous white metallic element that occurs widely in igneous rocks and is used to alloy aircraft metals for low weight, strength, and high-temperature stability.

### **1.13 Organization of the study**

The researcher organized the project in five broad chapters with an exclusion of the preliminary pages composed of the title, declaration, dedication, abstract, acknowledgements, and table of contents, list of figures, and list of tables, abbreviations and acronyms. The preliminaries also contain the references, letter of transmittal and the questionnaires at the end of the project report.

Chapter one of this project report contains the background of the research project which highlights a global perspective and overview. There is a myriad of scenarios denoted on a global, regional and local outlook.

Chapter two is a combination of findings from various schools of thoughts comprised of theoretical and empirical framework. A conceptual framework is included to outline the independent variables together with their indicators and how they relate with the dependent variable.

Chapter three outlines the research design, target population, sampling procedures and sample size, methods of data collection, data validity ,data reliability, data analysis techniques, ethical considerations and operational definition of variables.

Chapter four gives an analysis of the findings from the data collected in the field in relation to the project implementation in the developing world. It also describes the interpretation of the findings through tabulation.

Chapter five gives a summary of findings, discussion and recommendations according to the objectives. There is also a suggestion for further research based on the limitations of the study findings.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter reviewed the different literatures written in the areas of project failure, Tiomin Kenya Limited; factors influencing project failure.

#### **2.2 An overview to Project success and failure**

Project failure is a subject that many scholars have sought to define. There is however no universal definition of project failure. According to Rob Diana, 2010, defining project related failure is not simple. There are six probable variables that can be used to define the threshold that can be used to define project failure and success.

According to Weihrich Heinz and Harold Koontz 1997, the Scope of projects was discussed at a certain angle. For any given project, scope can be used to determine whether a project is complete. However, feature completeness should not be the criteria for success. Functional completeness, which is whether the users can complete their work using the end product from the project, is a better measurement and it is also harder to define. Functional completeness is not known until many users go through their typical workflow in the system several times. If the functional completeness of a project is not achieved the project is deemed to have failed.

Schedule had its contribution; if a project goes past its deadline, many companies consider that a failure. Rob Diana does not believe that you can measure the schedule miss without looking at other aspects of the project. Also, you need to look at the reason for the deadline delay. If the deadline is only the time when all of the work was estimated to complete, then it was not really a deadline. If there was a time to market concern or the users have some other schedule constraints and need the product by a particular date, then the schedule does become very important. Missing an estimated end date and missing a constrained scheduled deadline are two very different things; Vauhkonen, J. (2003).

The Budgetary consideration considered money as an issue for most companies and is one of the few measures that can be a big indicator or cause of failure. The budget for a project is typically a function of the number of resources over the life of the schedule, unless there are capital expenditures like new hardware; Thomas Hellmann, 1998. He continued saying that for smaller companies, the budget can be of extreme importance because funding is limited, especially when compared to large corporations. In the most extreme cases, the budget can be the reason a project gets shut down, obviously meaning that the project is a failure.

According to Sahlman, W. (1990), Risk and the implications of that risk is something that can be managed but should not be evaluated in terms of the success or failure of a project. There are very few cases where risk should matter, and those are projects where the defining feature is to reduce risk in the business itself. Risk is a good measurement to determine the possibility of failure or other bad situations, so from the management perspective it is a good window into the health of a project. If the states of nature affecting a project are adverse a project is bound to fail.

Resources contributed immensely in projects. Sahlman, W. (1988) states that Staffing of a project is typically not used as a measurement of failure, but it can be a very good indicator of impending doom. For example, if a project was estimated to require 5 software engineers for 6 months, and after 2 months another 5 engineers are added, that is a significant indicator that something is wrong. It may mean that a large amount of scope was added to the project, or that the project or its complexity was severely underestimated. Additional resources will also affect the budget; probably add more risk due to communication difficulties and likely impact the quality of project delivered.

Finally, Quality should be a huge determining factor in the success of a project, but it should not be the defining factor. A high defect rate is always a bad thing, and will have long lasting effects on the application. Thankfully, agile processes like test driven development, and total quality management have helped developers ensure some level of quality. The only problem with quality is that you can never rid a system of all defects; you can only be rid of known defects. It can also become fairly expensive to ensure the highest levels of quality; (Rafael Repullo & Javier Suarez, 2004).

### **2.3 Government goodwill in project implementation**

About three years ago, Tiomin Resources Incorporated, a Canadian mining firm moved into Kenya's Kwale district at the coast and set up a titanium mining project. With the Kenyan economy in a tailspin and the country in the grip of a severe drought, nobody realistically expected the US\$137 million project to spur the sort of controversy it now has.

World Bank figures (which Tiomin's President Jean Charles Potvin would later quote to justify the project) indicated that Kenya, indeed, was in dire need of foreign investment. In 1998, the country received only US\$20 million in foreign direct investment. By contrast, Tiomin alone would invest almost four times that amount on a 64-square kilometre strip over a 21-year lease period. "It is obvious to any observer that Kenya is in great need of foreign investment," Potvin remarked recently, adding for good measure that the development in Kwale was bound to bring substantial benefits to both the local communities and the country as a whole. What is more, he said, Tiomin had established that there were huge findings of titanium sites in the nearby Mombasa and Kilifi districts and at Mamburi along the Kenyan Coast (Thomas Hellmann, 1998).

In Tiomin's view, therefore, everything appeared just fine. Already a South Africa-based consultancy firm, Coastal Environmental Services --- which Tiomin had hired --- had conducted an environmental impact assessment and given the project a clean bill of health and pronounced loudly that its impact on the surrounding environment would be minimal. Top Kenyan government officials including the powerful Minister for Tourism, Trade and Industry, Nicholas Biwott, and the Minister in charge of mineral exploitation, Jackson Kalweo, had chimed in heartily and expressed their desire to see the project off to a speedy start (Daily Nation, "Titanium: Better Be Sure Than Sorry", January 21, 2004 p.8)

Not quite, argued the non-governmental organisation (NGO,) ActionAid, which went ahead to commission experts from the public Kenyatta University to carry out a parallel assessment and organized stakeholders' seminars to feel the pulse of the communities that stood to be affected directly by the project. It was this new assessment's report that has now brought about all the



brouhaha. Its findings varied widely from those of the Coastal Environmental Services declaring from the onset that the Canadian mining giant had a poor track record on the Indian Ocean island of Madagascar. Sea pollution, they noted, now constituted a real hazard in the island largely due to the mining of titanium there {Dessein W. (2004)}

And returning from field visits, which took them to various sites in Kwale, the experts declared that the project would, among other things: destroy the local landscape, expose the residents to radio-active radiation (titanium-related minerals like rutile, ilmenite and zircon contain inert quantities of uranium and thorium which are potential radio-active emitters which could be activated during mineral processing) and alter the area's soil chemical conditions (Hart, O. 2000) The experts noted, also, that the project would affect the local albedo (reflectivity of solar radiation) through the removal of vegetation implying that more of the solar radiation would be reflected back to the sky and could therefore cause more heating of the cold inward-bound winds and impact negatively on local rainfall. The study argued that titanium mining would eliminate aquatic bio-diversity parts, and pose a serious threat to ecosystems, communities, species and genetic materials. Mutations due to chemical toxins, too, the report said would lead to inferior traits and there would be loss of environments, wetlands and forests; Hart, Oliver, (2001).

Other negative effects that would result from the project, the report said, are that it would contaminate ground water bodies, increase competition for water resources, degrade the water quality, and lead to gaseous emissions (sulphur dioxide) emitted into the air from combustion of heavy oils. “But a more immediate, if not graver matter, they said, revolved around the issue of compensation. Tiomin intends to pay the farmers US\$120 per acre against what the locals say is an observed market value of between US\$270 and US\$800; and an annual rent of US\$27 against the US\$200 that residents make per year from the sale of agricultural produce.” Dessein W (2004).

The residents have since indicated that they will not take Tiomin's offer although early this week Tiomin announced that it had paid out US\$3378 to one family and that this was the largest amount it had paid so far. The local district commissioner, Nathan Hiribae, recently accused ActionAid of inciting the farmers against the project. But then, the land issue is far more

complicated than this. While the residents have rejected compensation rates floated by the company, *most of them have no acknowledged legal title deeds to the land they now occupy.*

It was only in 1966 that the local residents came to learn that an Asian-owned company owned by the Madhvani group owned the land, which they occupied. *The land --- they were told to their utter astonishment --- had since 1911 been owned by the Madhvani group which is said to have signed an agreement with the colonial government without any reference to the indigenous Digo and (later) Kamba communities;* Daily Nation, “Titanium: Better Be Sure Than Sorry”, January 21, 2004 p.8).

According to Dewatripont, M. & J. Tirole (1994), the simmering altercation notwithstanding, Tiomin's operations in Kwale will involve the recovery of at least 200 million tonnes of mineralized sand in three adjacent areas containing four million tonnes of rutile and 600 tonnes of zircon. The firm will then upgrade ilmenite to synthetic rutile, a high-grade feedstock for the production of titanium dioxide, which has wide application in the pigment industry. The ore concentrate will then be transported from the mining sites, 20 kilometres inland, to their port facilities at Shimoni using trucks. All the economic minerals (rutile, ilmenite and zircon) contain impurities of uranium and thorium, which are radioactive emitters.

The Action Aid report says the mining technology will need to be quite sophisticated if cases of radioactivity in the area are to be averted. This is because, during the process of mining, there will be physical attrition of these minerals by the excavators. There will also be chemical reactions between the minerals and hot (17 degrees centigrade) sulphuric acid (2 tonnes per day). These physical effects and chemical reactions are likely to free the uranium and thorium into the environment. The titanium deposits in this area too, are up to 40 metres deep and the preferred mining method, is opencast (strip) mining. This, however, involves clearing all vegetation, stripping and stockpiling the topsoil so as to expose the mineral-heavy sands.

ActionAid's concern is that this will cause irreparable damage to human settlements and local ecological systems. Application of such a system in an area estimated at 64 square kilometres (64,000 hectares), it contends, is bound to impact heavily on the natural systems supported by the soil mantle in the area; A.Nicita, and U. Pagano (2005).

Either way, judging from the tone of senior government officials on whom the decision whether the project will go on or stall largely lies, nothing, so far, appears likely to stand in the way of the project and that it will almost certainly commence operation early next year.... Athey S & John Roberts (2001). Which leaves the locals with little else to fall back to save to hope that someone further up, will remember to invoke Kenya's little-remembered Environmental Management and Co-ordination Act and the Radiation Protection Act so that mining companies can --- at the very least --- be compelled to maintain acceptable levels of ionising and other radiation in the mining area.

#### **2.4 Community goodwill in project implementation**

After years of negotiations, the Government of Kenya approved the project presented by the Canadian company Tiomin Resources Inc. for the exploitation of titanium deposits located in the Kwale region. A coalition formed of local communities and human rights organizations called Coast Mining Rights Forum opposed the mega-project, as it called for the displacement of 5,000 indigenous Digo and Kamba people and would contaminate local soil and aquifers with heavy metals; (Bosson R. & Varon B. 2005).

14 percent of world's titanium reserves (around 3,2 billion tons) are supposedly located along the Kenyan coast. Tiomin Inc. was granted 64 square km for the extraction of titanium over at least 14 years, alongside other company activities including the production of paint, plastic and paper. The Kwale project is estimated to be worth approximately US\$ 47 million per year. The vast land preoccupied by the company meant that a big proportion of the community would be displaced and relocated to other areas. There was uncertainty on where the community would be relocated and resettled and thus rising conflicts started early before the commencement of the project; (Biersteker, Thomas J. 2000.)

The Coast Mining Rights Forum accused Tiomin Inc. of violating the 1999 Coordination Act, which established that indigenous tribes must be consulted and an environment impact assessment drafted before negotiations on the license. The mega-project would destroy indigenous Kamba and Dingo subsistence farming, forcing local farmers and their 450 families to be displaced. According to the Tiomin company, which never provided any written document

on the subject, the families would be displaced for a period of twenty years, after which the farm land used for extraction activities would be reclaimed and the families returned. Nevertheless, a consequence of the project would mean some of the most fertile lands in Kenya could no longer be cultivated as a result of the profound changes to the soil structure; Burkart, M., Gromb, D., Panunzi, F., (2000).

Titanium would be extracted to a depth of 30 metres, causing potential geological problems. In addition, the construction of roads, infrastructure and waste storage facilities would contaminate the surrounding soil and aquifers. Extraction activities would also cause radioactive impacts, as large quantities of radioactive uranium and thorium were detected in the titanium deposits. In fact, the deposit contained 309 ppm (parts per million) of uranium and 143 ppm of thorium which, if extracted, would be potentially dangerous for human health and the environment. According to studies carried out by Kenyan scientists, sulphur dioxide emissions produced by combustible diesel fuel would further endanger residents, land and aquifers. The community reaction towards the dangers that the company would bring to the society was another setback (Bessis, Joel. 2004).

According to Cestone G., (2006), Tiomin Inc. did not publish any radioactive substance management and monitoring plan, neither did it take precautionary measures to protect the workers health and prevent water contamination. The project would alter the local ecosystem, jeopardising the survival of several species already at risk, such as the Colobus monkey. Tiomin Inc. offered compensation for transferring and renting the land of US\$120 and US\$30 per hectare respectively, but the communities considered the offer insufficient to compensate numerous families for the loss of their homes and the destruction of their environment.

The Government of Kenya at some point ruled against seven farmers in Kwale District who rejected a resettlement compensation package offered by Canada-based Tiomin mining company. The farmers initiated the legal proceedings, arguing that “the Government does not have the constitutional power to order the compulsory acquisition of their land” in the lucrative Kwale Titanium Project in coastal Kenya. (*Daily Nation*, “*Titanium: Better Be Sure Than Sorry*”, January 21, 2004 p.8).

Controversy surrounding the Tiomin project has been ongoing since the project was conceived. Environmental groups have objected to the project, citing the threat to a host of endangered species in the Kwale area, which depend on the coast's already fragile ecosystem. A Global Response briefing on the project charges that the Kenyan government negotiated a deal with Tiomin even "before an independent Environmental Impact Study was completed and without the consent of the affected population - around 5,000 people at the Kwale site alone."

According to the briefing, Tiomin announced that it would "rehabilitate" the site after the 20-year life of the project and resettle families back to the area, despite warnings from scientists that radioactive uranium was found in the titanium deposits; (*Steven N. Kaplan & Per Stromberg, 2003*).

## **2.5 Financial viability in project implementation**

Optimal distribution of cash flow rights and control rights in many financial contracts are complicated by three major factors: i) contracts are incomplete, ii) many specific investment projects are often one-shot-large scale investment that cannot be split into small and verifiable sub-investments that would allow the contract to be evaluated in phases, iii) information is costly and sometimes unavailable to the parties at the time of contracting. The economic reason why a contractual incompleteness matters is that it may constitute a source of insufficiency when it inhibits parento-relevant economic exchanges. According to Williamson (1985), this inefficiency outcome might emerge only when the incomplete contract has to perform investment in specific assets and at least one of the parties in the contract is an opportunist who may want to renegotiate terms of exchange in order to extract additional rent/earnings with respect those contracted ex-ante, while maintaining strong incentive to under-invest in specific assets. The opportunist behavior implies an unwillingness to generate potential quasi rents.

The relevance of incomplete contracts in law and economics stems from the selection of the legal and economic rules and institutions, which might reduce the risk of post contractual opportunist by optimally aligning parties' incentive to generate the highest level of specific investment. This is a second best outcome (Nicita and Panago, 2005). According to William (1985) the solution to the problem of incomplete contracts is to apply vertical integration and to grant authority and

residual controls to owners of specific assets to guarantee enforcement of incomplete contracts. Vertical integration refers to the idea of generating or inducing optimal and appropriate incentives to invest in specific assets by assigning to the investing party the rights to residual income generated once other factors of production have been accounted for.

Authority and residual control right is expounded by Hart (1995) under property rights theory in which he says that in an incomplete contract world, ownership in a source of power. The owner of an asset has a residual control rights over the asset and confers on the owner the power to take care of unspecified contingencies and to organize the production process involving own assets. This power is also defined an authority. The authority relationship from one side reduces the degree of contractual incompleteness by assigning to the owner of specific assets power to decide what to do when contingences arise; from the other, it induces efficient levels of investment from the owner' s side, by assigning to the owner all the bargaining power in the ex-post renegotiation stage (Nicita and Panago, 2005).

Financial contract literature by Hart (2005) adds a new dimension to decision (control) inputs. This literature takes as its starting point the ideas that relationship between an entrepreneur and venture capitalist is dynamic rather than static and therefore parties to the contract choose a decision making process in advance to take care of “hard-to anticipate future contingences. One way to do this is the choice of financial structure. Take equity. One feature of most equity is that it comes with votes. That is, equity holders collectively have the right to choose the board of directors; who in turn have the legal formal right to make decision in the firm. Creditors (suppliers of finance) do not have decision-making rights.

However in the event that the firm fails to repay debts, they can seize foreclose on the firm assets or put the firm into bankruptcy. Moreover if the firm enters bankruptcy, then creditors often have some of the power of owner – power to make decision. The reason why allocation of decision making authority matters is that decision rights are important for influencing asset – relation specific investment. If the owner of specific assets controls the project he can implement his ideas without interference from anyone else. This gives him a strong incentive to have an idea. On the other hand if someone else controls the project he will have to get permission from the

other person and may to share the fruits of his idea with the other partners -this will dilute his incentives; Dewatripont, M. And J. Tirole (1994).

In the financial universe, risks and returns are two sides of the same coin and have a significant influence on the decision making processes. Risks are less visible and less intangible than incomes. These uncertainties remains like so until they crystallize into future losses while earnings are a standard output of reporting systems complying with established accounting standards. According to Bessis (2004), such differences create bias towards a systematic view of risks and returns making it more difficult to strike the right balance between them.

Academic models provide foundation for risk modeling, but do not provide proven instrumental tools that can help decision makers. Risk based practices designate these practices using quantified risk measures. Investors' scope extends to risk taking decisions under an ex-ante perspective, and risk monitoring under an ex-post perspective. Under a management perspective, without a balanced view of expected returns and risks investors have a myopic view of the consequences of their business policies in terms of the future losses because it is easier to measure income than to capture the underlying risk. The underlying major issue is to assign a value to risk in order to make them commensurate with income and fully address the risk-return trade-off .This is one reason why investors screen out projects and will accept to undertake a project if she is informed of the payoffs. Indeed it is at this stage that formal control rights turn into effective control when the controlling party has enough information to exercise those rights (Bessis, 2004).

Uncertainty about the prospects of a venture is one aspect of incomplete financial contracts. The contracts future cash flows are estimates both in amounts and timing. The discount rate is unknown. Any two parties analyzing the same deal will hardly agree about future cash flows, the appropriate discount rate to apply, or both. The source of potential disagreements are many and range from simple disagreement based on common knowledge to the fact that parties may be governed by different rules such as tax policies to the possibility that one party is more informed about the project than the other. There will be conflict of interests if one or more of the deal makers is in a position to influence the outcome of the project so as to benefit more at the

expense of the other participants: and the terms the contract will affect the nature (amount, timing, and risk) of the cash flow stream (Sahlman, 1990).

In allocating cash flows of the project, VC uses a discount rate that is commensurate with risk involved. The cost of the project is inflated so as to include losses made in other unsuccessful investments. The return is simply the market price for factors even though it may represent a monopoly price from the standpoint of the world market (Mikesell, (1971).

Financial contracting literature by (Sahlman, 1990) proposes that, cash flow rights can be administered by direct share of cash flows from the project. It can also be administered by allocating proportion of equity in the venture to the investor and entrepreneur. The parties must determine what proportion of each future cash flow would provide the expected rate of return to the VC given an initial investment, and to the entrepreneur as the owner of the natural resource. Where the investor has had a string of unsuccessful projects in the past, the discount rate applied to the estimate is higher than the true expected rate of return on the venture capital portfolio. In such a scenario, other than take simple common equity, VC can structure a deal with the entrepreneur to take convertible stocks as they have a prior claim on the earnings of the company, and have a prior claim on liquidation value of the company. Preferential convertible stocks improve the CV's reward-to- risk –ratio by shifting the risk from the venture capitalist to the entrepreneur. Other possible reasons include: 1) by increasing the entrepreneur' s risk, the venture capitalist is trying to “smoke out” the entrepreneur, and get the entrepreneur to signal whether she really does believe the forecasts in the business plan; and (2) the venture capitalist is trying to provide the strongest possible incentives for the entrepreneur to do at least as well as projected. If the business exceeds plan, the entrepreneur will share disproportionately in the benefits of doing so. Given the entrepreneur' s strong incentives to succeed, structuring the deal this way may actually increase the probability that a favorable outcome will occur (Sahlman, 1990). Under equity sharing, both parties share in a proportionate manner the risks and returns.

## **2.6 Technical Expertise in project implementation**

Many factors can contribute to project failure, and often there is more than one factor at play. Here are some of the most common reasons projects fail.



Hart, Oliver, (2001) pointed out that lack of solid business case and strategy. Sometimes, projects are kicked off even though the business case or business strategy is weak or incomplete or has not been fully thought through. This may be especially common on internal projects. If the business case and rationale behind your project is not robust and clear, the project will be much more prone to changes or cancellation if, for example, a new business owner joins, business priorities change, or the project turns out to require more resources than anticipated.

According to Hellmann, T. (1998), lack of executive direction and buy-in. The project's steering committee is responsible for executive decision-making and for providing high-level direction. This is the group to which you escalate issues that you cannot deal with on your own. If this group is not supportive of the project, does not accept ownership and responsibility, or does not allocate the necessary time and energy, your project is likely to suffer or even fail as a result.

Lyons B. (2001) in his publication emphasized on lack of end user involvement. Users can be very busy people with regular day jobs. They are not always given sufficient time to devote to the project. Without involvement from the end users (or their representatives), requirements specification, user testing, and product quality are likely to suffer, and the user community may feel less committed to the end product. If the users are not sufficiently committed or if they cannot clearly articulate what they want, you will have limited ways to assure the quality of your deliverables.

Failure to adequately identify and document requirements was pointed out as another factor. According to Rafael Repullo & Javier Suarez, 2004, some projects have high-level, vague, or poorly documented requirements. If design or build work is kicked off too early, without the core business requirements having been adequately identified, documented, and agreed on by the client, your project has every chance of producing the wrong product and consuming more time and money during testing and rework phases than planned.

Inadequate focus on QA and testing was given by Nwoke, C. 2000 as a factor. In order to successfully complete a project and deliver its products and benefits in line with the client's expectations, you must use a structured approach to QA and testing. Projects can and do fail if

this is not done. It is not enough to trust that your team will correctly develop what the users have specified or to leave testing until the last minute. Skipping certain types of testing and going straight to user acceptance testing also can be a recipe for failure.

Another indicator on project failure could be Poor planning and estimation processes. A project that is poorly planned and estimated is risky, difficult, and can lead to project failure. Without a decent plan and estimate, resources cannot be managed and organized, risks cannot be mitigated, dates and budgets cannot be forecasted, effective reporting cannot take place, and the measures of success will be flawed from the outset; (Shapiro, Allan C. 2002)

Sahlman, W. (1988) featured lack of success criteria. If your project's success criteria are too vague or are not properly understood or formalized, your project is likely to fail. You simply cannot hit a target if you do not know what that target looks like and what is expected from you. The same often holds true if you have not defined what the success criteria are for each stage of your project or for go live.

Failure to effectively manage changes to scope came out strongly according to Shapiro, Allan C. 2002. Incorporating necessary scope changes into a project is often a prerequisite for delivering a fit-for-purpose product. Problems may arise when scope management is too informal or, on the contrary, overly formal. If scope is not controlled, changes will creep in unnoticed, and budget, schedule, and quality may be adversely affected. However, if management of scope is too rigid, there will be insufficient flexibility to accommodate requests for changes, which in turn could end up jeopardizing the quality of the end product.

In his publication, Sahlman, W. (1990) mentioned poor risk and issue management as an indicator. A project is often a hugely complex undertaking with lots of interdependencies, assumptions, and constraints. Circumstances change, new risks are identified, and some of them turn into issues that may prevent your project from progressing. If you are not able to effectively manage risks and issues and make decisions about how to progress when circumstances change, your project will likely suffer severe consequences.

Again, Sahlman, W. (1990) added that inadequate resource was key. A project can fall apart quickly if the team is not sufficiently skilled or if certain key roles on the project cannot be filled due to an ineffective hiring process or limited talent in the market. In addition, team members might leave the project if they feel neglected or unappreciated, which in turn could jeopardize the execution and success of the project.

In many companies, poor definition of roles and responsibilities among the technical personnel becomes an issue. If a project is to operate effectively, everyone must know not only what their own roles and responsibilities are, but also what the other players are doing—or not doing. If roles and responsibilities are unclear, people will be less effective and accountable and will become frustrated, and tasks will fall through the cracks. You will not be able to plan, communicate, and manage effectively, (Thomas Hellmann, 1998).

Too long or unrealistic time scales: When project time scales become too long, the project can lose momentum, or you can end up delivering products and services that are no longer of any benefit to the customer and organization. On the other hand, senior managers may set unrealistically short project time scales in an attempt to speed up delivery, without considering the volume of work that needs to be done. As a result, the project is delivered late, or a significant amount of features must be cut out. Vauhkonen, J. (2003).

Weihrich Heinz and Harold Koontz 1993 mentioned poor leadership and ability to focus the team. As a project manager, your role includes an obligation to liaise with the customer, fully understand the goals and objectives of the project, set the course, and keep the team and stakeholders focused on the end deliverables. If you do not fully understand or believe in the end product, do not engage the stakeholders, or do not have sufficient experience or willingness to lead a project, you will not be able to inspire, motivate, and focus the team, and your project is likely to suffer as a result.

Finally, Vauhkonen, J. (2003) mentioned poor or delayed decision-making. A project can only be managed effectively if decisions are made in an informed and timely fashion. Problems can arise when you delay making a decision for fear of making the wrong one or when you rely too

heavily on obtaining consensus. You may depend on the expertise of others before making a decision, but if you rely too much on decision-making by consensus, your project could fail while you wait for everyone to reach agreement. The best design or solution is often the result of analysis, not consensus.

## **2.7 Management behaviours in project implementation**

Almost all studies of system success or failure have identified top management support as a critical factor. The management personnel in any organization that undertakes a systems project should be aware upfront that the project will encounter serious setbacks. They will need to be prepared to remain visibly and vocally behind the project, despite these setbacks or else the project is doomed to failure. *“There is a real difference between systems projects and office buildings. When a building is half done, there is something to see. When a software project is half done, there is very little (if anything) to see. Managers need to know what they can expect to see and when. If they assume that the project will have 50% of the systems running when the budget is 50% spent, they will probably start thinking about pulling the plug on a project that is progressing exactly on schedule. Managers often do not understand the design of a system. They rely on the opinions of skilled advisors. The key to managing the managers is to bring in high-level objective auditors. In a consulting environment, this is particularly important. How can management know that they are not being cheated or that the project is not being mismanaged? They don’t have the skills to assess the situation. In such cases, having a technical audit can validate the actions of the development team and provide management with the information required to continue supporting the project.”* Bruzelius, Flyvbjerg & Rothengatter, 2002.

According to David Tilk (2003), the real critical success factor of any implementation project is the ability to break through “fixed ideas.” The extent to which this can be done will have a decided impact not only on the success of the implementation, but also the success of the system once it is in production. The importance of breaking through the fixed ideas. One example of this is just the view people adopt about the role of technology in an implementation.

Whether you are talking about new roles – changing processes, using technology to work more effectively and efficiently, you are generally talking about breaking down fixed ideas; said

Wehrich Heinz and Harold Koontz 2003. One of these fixed ideas in project implementation is the concept that success lies in finding the perfect technology solution to the problem– nothing could be further from the truth. While consistently getting more focus, probably because they are clearer cut, the technology issues in an implementation are normally the more easily resolved in the typical project; while the less clear cut human factors are pushed to the back burner. In reality the success or failure of any project implementation rests on the ability of the principals involved to manage the “human factors” of the project. Another common example of fixed ideas is the adherence to procedures simply because that is the way “we have always done it. Many opportunities are lost in system implementations because the people involved refuse to view the implementation as an opportunity to evaluate current processes and look for better ways of working.

If success is measured both in terms of bringing the project in on time and within budget as well as the satisfaction with and the ability of the users to use the new system, then managing these “human factors” is the real key to the success of any implementation. This puts a lot of pressure on the project leadership and/or perhaps even more pressure on those who appoint that leadership team. In a recent article on criteria for successful project management, Jurgen Hauschildt (Project Management Journal, September, 2000, p26), identifies seven key sets of talents and abilities that must be present on the project leadership team to insure success:

1. The ability to organize in a situation in which there is some conflict and/or criticism.
2. Experiential knowledge of the appropriate procedures
3. Decision making based on systematic, analytical thinking
4. Creativity and idea generation linked to an ability to carry out the ideas
5. Ability to plan and organize in a way that includes others, with stress on effective interpersonal skills
6. Ability to motivate others in a context of cooperation and effective communication
7. Ability to attend to the ideas of others and bring disparate thoughts together

Vauhkonen, J. (2003) reiterated that if you are putting together a project implementation team or if you are the project leader a key first step is to build a team that contains these talents and abilities – you need to assess your own strengths and then pull in individuals with

complementary talents -- In assessing whether you or someone else has a particular talent you need to honestly look for “recurring patterns of thought, feeling or behavior” to determine if an individual or yourself for that matter possesses a particular talent. Don’t just assume, that someone will step up to the challenge, because if that recurring pattern is not there before, it will not emerge as a result of the project! (An excellent resource for more information on this topic is the book based on Gallup Research, entitled, *First Break all of the Rules*.) A key question at every turn is who needs to be involved? Who has a stake in this decision that will ultimately determine the success of the project?

Another critical factor is making sure, not only that the right people are around the table in terms of the politics of the institution/situation and the representation of the stake-holders (key constituent groups), but also that the right people with the right set of talents are involved. These people need to understand their role and be able to carry it out. If they are only focused on their own personal needs and cannot see a bigger piece of the picture, then their recommendations are likely to be flawed; Vauhkonen, J. (2003).

With the project team in place and the right individuals involved at the right time, attention must also be simultaneously directed at communicating with the larger community. This requires having a good communication plan in place. The major goal of such a plan is to promote a sense of ownership for the project on the part of everyone in the institution. Regular and consistent communication is important to having the entire community buy into the project and support the implementation project. I have also found it important to have the communications about the implementation come from the Project Team (Shapiro, Allan C. 2002). In summary, I just want to reiterate the importance of putting together a strong project Team that contains the right skill set.

In summary, Ken, Bernie and Rick, 2002 have each described projects that are quite different from each other from the technology standpoint, but they have reached similar conclusions about the human factors that enabled each of them to succeed in the implementation process and in putting the systems into production. In conclusion, I would like to highlight one key factor from each speaker. Ken emphasized the importance of good leadership. Bernie advised recognizing

the differences between each implementation and tailoring the process to accommodate the differences. Know your institution and its politics. Rick emphasized the importance of staff involvement to insure that people will make a good transition from implementation to production. For my perspective, attending to these human factors is just as important as choosing the best technological solution to the problem at hand.

## **2.8 Conceptual Framework of the study**

The main objective of this study is to find out the factors influencing the project failure in Kenya and more specifically conduct a critical assessment of Tiomin Kenya Limited in Kwale County. The research shall adopt the conceptual framework illustrated below. The dependent variable identified is the project failure on Kenya Tiomin Mining Company, which varies due to the effects of various factors. The structural model indicates that, government goodwill, community goodwill, financial viability, adherence to company management plan and technical expertise are the factors that influence the failure of Titanium Mining project in Kwale County. Equal important are the moderating variables which directly or indirectly influences the independent variables. These included the governance and leadership which include indicators like company governance structures and legal framework as illustrated in the figure below.

**Figure 1: Conceptual Framework**

**Independent Variables**

**Government goodwill:**  
 1. Stability in Government policies  
 2. Effective leadership in government to enable sustainable project implementation

**Community goodwill:**  
 1. Willingness of the community to support the project  
 2. Project support to the community wellbeing

**Financial viability**  
 1. Availability of sufficient project implementation fund  
 2. Management of finances in the company

**Technical Expertise**  
 1. Availability of technical experts to implement projects  
 2. Involvement of the employees in implementation of the plan  
 3. Management behavior on the employee motivation.

**Company Management**  
 1. Support from top management  
 2. Availability of management plan  
 3. Applicability of the plan  
 4. Positive impacts it has made to the company

**Moderating variables**

**Governance and leadership:**

- Existence of company governance structures and procedures
- Existing legal framework

Dependent variable

**Factors influencing project implementation in developing economies:**

- No of projects implemented
- Extent of Tiomin company implementation

**Intervening Variables**

**Company's Culture and tradition:**

- Management style
- Behavior of management and staff
- Persistence of the community conflict reported



## **2.9 Summary of Literature Review**

The literature reviewed showed the extent of the factors in the project implementation in developing economies as stated in the conceptual framework.

There has been a debate over the last decade on what determines the implementation of projects in developing economies. Prior literature has indicated that companies in developing economies possess different characteristics and thus strengths and/or weaknesses compared to others. As such, the collection of data on the profile, financial viability, expertise, company management among others are needed in order to allow the policy makers, educators, companies and public to identify appropriate planning of programmes. This not only helps the government to identify the appropriate target, but also leads the companies in developing appropriate skills and capabilities in implementing projects. In this regard, a comprehensive study on factors influencing project implementation in developing economies would be beneficial.

Another important factor to be taken into consideration is the government involvement and goodwill in implementation of projects. While the government has undertaken various efforts in project implementation in the developing economies, there are more to be accomplished. More financial support are needed in various forms building capacities of company management, individual expertise within companies in order to draw more companies into successful project implementation in the developing economies.

Furthermore, company project implementation in developing economies were less likely to implement multiple projects, less eager to plan for expansion, and where expansion was planned, their strategies for growth were often significantly different from those of the already developed economies (Rosa et al., 1996). Clearly, there is a need of more and better opportunities for potential companies to gain equal access to management, and financial skills that are deemed to be important for successful project implementation. In addition, the Kenyan companies need to have an acute understanding of the project implementation in order for them to succeed in their ventures.

In conclusion, this study has contributed to both theoretical and practical aspects of factors affecting the project implementation in developing economies. If we can achieve a better

understanding of the important factors influencing the successful project implementation in developing economies, this will have implications for Kenyan companies and investors to broaden their project implementation successfully in this globalized environment. If certain factors increase the odds for success, then companies can appraise their own prospects with this in mind.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter discussed the methodology that was used to conduct the research. The research design, target population, sample size, sampling procedure, data collection methods and procedure, the validity and reliability of the research instruments ,ethical considerations and data analysis and presentation techniques were discussed in detail. The operational definition of variables was also discussed as provided in the final section of this chapter.

#### **3.2 Research Design**

A desktop study was undertaken to explore the past studies done in the area under review. These exposed the research gaps while clarifying the research problem, goal and objectives of the study.

The study was carried out using a structured questionnaire for respondents and a discussion guide for key informants all administered through scheduled interviews. This study will adopt a descriptive survey design which according to Churchill (1991) is appropriate where the study seeks to describe the characteristics of certain groups, estimate the proportion of people who have certain characteristics and make predictions. Stratified sampling method will be used to compare opinions and reactions of the respondents at the same point in time (Lee & Fowler, 2002).

Khan, (1993) recommended descriptive survey design for its ability to produce statistical information about aspects of education that interest policy makers and researchers. The design will be chosen for this study due to its ability to ensure minimization of bias and maximization of reliability of evidence collected. Furthermore, descriptive survey design raises concern for the economical completion of the research study. The method is rigid and focuses on the objectives of the study.

#### **3.3 Target Population**

Kwale County was divided into four main districts namely Lunga Lunga, Matuga, Msambweni and Kinango. Within each district is a certain population of respondents within the categories

described herein. The target population for this study was community living around the Tiomin surroundings in the four (4) community establishments within Kwale County in Kenya who were the key respondents in the quantitative study and stakeholders who were the key respondents for qualitative information such as service providers, CSOs and Tiomin officials and Kenya Ministry of Trade and Industry who will form the key informant interviews. Mugenda and Mugenda (2003), state that, the target population should have some observable characteristics, to which the researcher intends to generalize the results of the study.

*Table 1: Sampling frame*

<i>Strata</i>	<i>No</i>
Community members	1,500
Service providers	200
CSOs	100
Tiomin Officials	100
Government officials	100
<b>Total</b>	<b>2000</b>

*Source Government Achieves 2012*

### **3.4 Sample size and sampling procedure.**

The sampling technique was the process of selecting a specific number of community members to form respondents for a study (Ngulube, 2003). A sample of 10% of the population will be randomly selected for the study out of the total population targeted. Khan (1993, pp 47) warn that “there is no fixed number of percentages of subjects that determine the size of an adequate sample.” To them, the ideal sample is “large enough to serve as an adequate representation of the population about which the researcher wishes to generalize and small enough to be selected economically in terms of subject availability, expense in terms of time and money and complexity of data analysis”.

The researcher targets 10% of the population which in this case may be enough of the accessible population according to Mugenda & Mugenda 2003. Therefore the sample frame will be as shown below.

*Table 2: Sample selection size*

<i>Strata</i>	<i>No in Category</i>	<i>Proportion of the population</i>	<i>Sample size</i>
Hotel and restaurants	1,500	10%	150
Hairdressing and cosmetics	200	10%	20
Clothing and textile	100	10%	10
Stationery/Bookstore/Printing	100	10%	10
Retail and wholesale	100	10%	10
<b>Total</b>	<b>2000</b>	<b>10%</b>	<b>200</b>

### **3.5 Data collection Methods**

The main instrument in this study was the structured questionnaire which will form the basis of data collection to meet the objectives of the study. The questions were both open ended and closed ended. The closed ended questions shall be aimed at collecting quantitative data while the open ended questions provide qualitative data.

According to Mugenda and Mugenda (2003), questionnaires were commonly used to obtain important information about a population under study. It is normally easy and convenient to address each item and developed specific themes of the study. The questionnaires were distributed to the selected members of the sample in the overall population. The questionnaires were administered by trained enumerators, strategically selected and briefed on how to fill in the questionnaire. The respondents were given a time frame (if necessary) within which they will respond to the questionnaire after which the questionnaire will be collected by the researcher on the agreed time. Since cost is a major factor in this study, the researcher used questionnaires because it is less costly and not time consuming.

Key informant interviews were conducted to collect comparative qualitative information which will supplement the questionnaires.

### **3.6 Data Collection procedure**

Once the proposal has been approved by the University academic panel, the researcher will start the data collection process by seeking permission from the district health management team at Kwale County.

This study will use friends living in Kwale as the research assistants; they will be trained on the tools and will be issued with the questionnaires to administer to the community around Tiomin Company. The researcher will then collect the questionnaires from the enumerators who will have the responsibility of ensuring that all questionnaires are returned.

Aware of the challenges involved in interviews, the researcher will make adequate preparations to maximize the chances of successful interviews. This will be accomplished by informing the service providers about the study and requesting interviews with them. Copies of the interview schedule will be made available to the service providers.

### **3.7 Validity And Reliability Of Research Instruments**

#### **3.7.1 Validity of Research Instruments**

The instrument validity was measured by content validity test. Pre-testing was conducted to assist in determining accuracy, clarity and suitability of the research instrument. A few (3) cases were sufficient for some pilot studies. The purpose of the pre-test is to assist the researcher to identify the items which could have been inadequate and necessary corrections are then made, and ambiguous questions are reframed. Content validity was examined to ensure the instruments would answer all the research questions. Based on the analysis of the pre-test results, the researcher made corrections, adjustments and additions to some research instruments.

#### **3.7.2 Reliability of Research Instruments**

Reliability was important because it enabled the researcher to identify the ambiguities and inadequate items in the research instrument. Instrument reliability was the dependability, consistency or trustworthiness of a test. This was measured through test-retest technique, where the questionnaire is administered to a group of individuals with similar characteristics as the actual sample. The tests were repeated after one week interval. The scores obtained from both

tests were correlated to get the coefficient of reliability. If the Spearman's Rank Correlation Coefficient of 0.85 was obtained, it will mean that the instrument is 85% reliable. Therefore, this will mean that the research instrument will be reliable and consistent to answer the research questions of the study. Ambiguous words and irrelevant items will be removed to make the instrument reliable.

### **3.8 Data Analysis**

This study will seek to establish the extent to which the independent variables influence the dependent variables. It is therefore suitable to analyze data using descriptive analysis. Descriptive analysis is the study of the distribution of one variable and it provides the researcher with profiles of the study population such as their size, composition, efficiency, preferences and so on (Kothari, 2004).

In this case, data quality control and cleaning will commence in the field by the researcher ensuring that all the information on the questionnaires has been properly collected and recorded and checked for completeness of data and internal consistency. Data analysis will start once all the data has been captured. Closed-ended questions will be analyzed using nominal scales into mutually exclusive categories and frequencies by employing descriptive statistics using the statistical package for social sciences (SPSS V 17.0) and MS Excel. Open-ended questions will be analyzed using conceptual content analysis. Analysis will involve the production and interpretation of frequencies counts, tables and graphs that describe and summarize the data.

### **3.9 Ethical Considerations**

Approval will be sought from the District ethical committee before undertaking the research. Respondents will be informed that the information they will give will be purely for research purposes. To achieve anonymity of the data gathered from the respondents, data such as names will be left in the design of the instrument.

### 3.10 Operational definition of variables

*Table 3: Operational definition of terms*

Objective/Research question	Type of variable	Indicators	Measure	Level of scale
How could the government goodwill in company policy implementation and effective leadership influence sustainable project implementation?	<b>Independent Government goodwill:</b>	<ol style="list-style-type: none"> <li>1. Stability in Government policies</li> <li>2. Effective leadership in government to enable sustainable project implementation</li> </ol>	<ul style="list-style-type: none"> <li>- Government policies</li> <li>- Policy implementing structures</li> </ul>	Ordinal Ration
How could the community goodwill influence sustainable project support in Kenya?	<b>Community goodwill:</b>	<ol style="list-style-type: none"> <li>1. Willingness of the community to support the project</li> <li>2. Project support to the community wellbeing</li> </ol>	<ul style="list-style-type: none"> <li>- Community behaviors and attitude</li> <li>- No of projects supporting the communit</li> </ul>	Nominal Nominal Ordinal
Is the financial viability an influential factor in project implementation in Kenyan companies?	<b>Financial viability:</b>	<ol style="list-style-type: none"> <li>1. Availability of sufficient project implementation fund</li> <li>2. Management of finances in the company</li> </ol>	<ul style="list-style-type: none"> <li>- Sufficient project implementation fund</li> <li>- Financial management structures</li> </ul>	Ratio Ration
How effective can technical Expertise be in influencing sustainable company project implementation?	<b>Technical Expertise:</b>	<ol style="list-style-type: none"> <li>1. Availability of technical experts to implement projects</li> <li>2. Involvement of the employees in implementation of the plan</li> </ol>	<ul style="list-style-type: none"> <li>- No of technical experts in departments</li> <li>- Management plan implementation</li> </ul>	Nominal Ordinal



		3. Management behavior on the employee motivation.		
How could adherence to a company management plan influence sustainable company project implementation in Kenya?	<b>Company Management:</b>	<ol style="list-style-type: none"> <li>1. Support from top management</li> <li>2. Availability of management plan</li> <li>3. Applicability of the plan</li> <li>4. Positive impacts it has made to the company</li> </ol>	<ul style="list-style-type: none"> <li>- Management procedures</li> <li>- Implementation criteria of management plan</li> <li>- Implementation plan availability</li> </ul>	Ordinal  Ordinal  Nominal
	<b><u>Dependent Factors influencing project failure:</u></b>	<ul style="list-style-type: none"> <li>• No of projects failed</li> <li>• Extent of Tiomin company failure</li> </ul>		
	<b><u>Moderating Governance and leadership:</u></b>	<ul style="list-style-type: none"> <li>• Existence of company governance structures and procedures</li> <li>• Existing legal framework</li> </ul>		

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTEPRETATION

#### 4.1 Introduction

The study looked at the factors influencing project implementation in developing economies and looked at a case study of the Tiomin Company in Msambweni constituency, Kwale County. The study came in handy as a result of previous and ongoing complaints and grievances aired across the country and the subsequent time taking implementation of the same project.

In this study, data is presented using frequency distribution tables, percentages and other statistical values. The Chi-square testing mechanism was used to calculate the significance and correlation in the various relationships between variables.

Analysis of the results is therefore presented in this chapter as below.

#### 4.2 Response rate

The variation in the response rate per each targeted in each cluster is as shown in table 4.1 below. In as much as each cluster was distributed with an equal number of questionnaires in all the four districts, Msambweni and Lunga Lunga had the most number of respondents compared to Maatuga and Kinango. This was attributed to the return rate of the questionnaires where questionnaires from Kinango and Matuga were not fully returned. The distance coverage could have contributed immensely to this as going to Kinango /Matuga and back was expensive and thus inability to follow up on the remaining questionnaires. The analysis of the return rate is as shown below.

*Table 4.1: Response rate on questionnaires*

<i>Division</i>	<i>No of questionnaires</i>		<i>Percentage Response</i>
	<i>Issued</i>	<i>Returned</i>	
Matuga	50	41	82
Lungalunga	50	49	98
Msambweni	50	50	100
Kinango	50	40	80
<b><i>Total</i></b>	<b><i>200</i></b>	<b><i>180</i></b>	<b><i>90</i></b>

The study realized an overall response rate of 90% which was quite adequate to produce reliable results as the researcher determined. Mundy 2002 in his publication on the response rate indicated that a general 60% was rated as marginal, 70% reasonable, 80% is good while 90% would be excellent. Mundy's report confirmed that data collected for the purposed of this study was quite adequate to produce the desired results.

### 4.3 Demographic characteristics of respondents

The analysis of the findings derived from the 180 respondents revealed the following demographic information;

*Table 5: Respondents with their demographic profiles*

<i>Indicator</i>	<i>Response categories</i>	<i>Percentages</i>
<b>1. What is Your Current Age?</b>	1. Below 20 Years	13%
	2. 21-30 Years	41%
	3. 31-40	38%
	4. Above 40	8%
<b>2. What is your Current Marital status?</b>	1. Single / never married	22%
	2. Married	35%
	3. Separated/ Divorced	29%
	4. Widowed	16%
<b>3. Education status</b>	1. Never been to school.....	11%
	2. Primary.....	56%
	3. Secondary.....	34%
	4. Tertiary.....	9%
<b>4. What is your Current employment status?</b>	1. Employed for a wage	77%
	2. Employed and part time entrepreneur	12%
	3. Farmer	8%
	4. Trader	3%

Table 5 above shows the demographic information for the respondents under the study. On the age factor, majority (79%) of the respondents were between 21 to 40 years with 41% being between 21 and 30 while 38% being between 31 to 40 years. However, 13% seemed to be below 20 years while those who reported to be over 40 years were only 8% of the total respondents.

On their marital status, 35% formed the majority of respondents who were married while 29% had been separated or divorced. Those who were single and never married were 22% while those widowed were 16%.

The above analysis indicates that marriages to some extent were maintained within the population in Kwale County despite the few challenges of divorced and widowed experienced in some parts of the County.

Education seemed to be a very big challenge for the population in Kwale County as analysis of the findings revealed that majority (67%) of the respondents had no formal education with 56% having reached up to Primary school while 11% had never gone to school at all. It was important to note that a significant proportion of respondents represented by 34% had gone up to secondary school with a small proportion of 9% having reached Tertiary level of education. Education played a role in the employment opportunities in the County and it was certain that underemployment was quite rampant within the area under study.

77% of the respondents were however employed with a wage, definitely within Tiomin Kenya Company on a full time basis while 12% were partly employed within the same company. It was certain that such significant proportion of employed population was underemployed since its level of education was low and incompetent in the job market. However, farmers and traders were reported by 8% and 3% of the respondents respectively.

#### **4.4 Government goodwill in Project Implementation**

The data analyzed gave a true correlation of what was denoted by other researchers about three years ago where Tiomin Resources Incorporated, a Canadian mining firm moved into Kenya's Kwale district at the coast and set up a titanium mining project. The researcher sought to correlate the findings within the Kenyan economy in a tailspin and the country in the grip of a severe drought where nobody realistically expected the US\$137 million project to spur the sort of controversy it now has. The findings of this study were discussed as below.

#### **4.4.1 Availability of Government in Mining Industry**

The study sought to find out if there was a government arm working with the community directly on the mining industry in this area and analysis of the findings were recorded as follows;

65% of the respondents denied government involvement in working with the mining industry while 35% conformed.

#### **4.4.2 Government arm involvement on mining**

Further analysis of the study findings on how the involvement of the government arm in interacting with people was in the area concerning the Tiomin mines revealed 65% reporting it dealt with the direct beneficiaries only especially during the re-location and re-imbursements. The government came in handy here as it claimed that it was solely responsible in the welfare of its citizens and thus provided security. However, 15% reported that the government provided a platform for meetings where the community shared views and opinions on how projects would be run. It was important to note that the government provided support projects to community to boost their welfare as a result of returns from Tiomin. This was reported by 12% of the respondents while 8% were of the opinion that the government called community representatives to their meetings to discuss on matters of the Tiomin project. It was further reported that those who were called to the government meetings benefitted more than the community and thus the community insisted of not being satisfied with the selection of those who represented them in such meetings.

#### **4.4.3 Government offering platform for community dialogue on projects**

On asking if the government had ever given the community a chance to contribute to the development of the Tiomin mining, 91% of the respondents denied while only 7% confirmed. It should also be noted that a small proportion of 2% did not know if the government had ever given community such an opportunity before.

Further analysis of the study findings on why the respondents felt the government had never given them any opportunity to contribute to matters pertaining to Tiomin and the community, majority of them were of the opinion that government sidelined the community so that they could not know what was happening within the discussion and as a result benefitted more on

Tiomin than the community. Others revealed that Tiomin knew that the community was unhappy with its being in place and thus colluded with the government to protect them from community gust.

#### **4.4.4 Availability of policies in Mining**

The study sought to find out if the government shared any policy in mining in the area with the community. Findings revealed a majority of 78% denying having heard of the policy while only 18% confirmed of having heard of a mining policy shared among the upper caliber of staff members. However, 4% of the respondents did not know if there was a policy on mining or not.

It was mentioned that policy shaped the role and mandate of every actor in the mining industry and thus community understanding on the role ensured ease implementation of the project. This therefore meant that the ignorance of the community on the policy made it difficult for Tiomin to implement its project with ease since a lot of resistance was faced from the indigenous community.

#### **4.4.5 Goodwill from elected leaders**

The study findings revealed 88% of the respondents reporting that elected leaders in the area associated themselves with the Tiomin Company while 12% denied.

However, it was added that those leaders who associated with the Company had some self-interest and not the general implementation of the project. While disputes rose between the company and the community, such leaders politicized the dispute resolution mechanisms for their own selfish gains while others colluded with the government to suppress community process to fight for their rights.

While elected leaders were perceived to be the pioneers of project implementation within a community, the reverse seemed to be the case in Kwale County as such leaders were branded to be self-centered, gluttonous and hungry for money thus tapped potential in Tiomin for themselves rather than the welfare of the community and the project implementation at large.

#### 4.4.6 Research hypothesis testing

The study sought to test the following research hypothesis:

*H<sub>1</sub>: The government goodwill has a positive effect on project implementation in developing economies.*

*H<sub>0</sub>: The government goodwill does not have a positive effect on project implementation in developing economies.*

In this study, the chi-square test was used in measuring the relationship between government goodwill and project implementation in developing economies.

**Table 6: Testing of research hypothesis**

	<i>Leaders goodwill</i>	<i>Availability of government arm</i>	<i>Policy availability</i>
Chi-Square	168.221	78.532	86.122
Df	5	3	4
Asymp. Sig.	.100	.017	0.002

Table 6 clearly indicates that the chi-square values on the leaders' goodwill are 168.221, at 5 degrees of freedom. It seems clear that the computed value in this assumption is larger than the other indicators' table of the chi-square which both fall at 78.532 and 86.122 for the availability of government arm and policy availability respectively. The Asymp. Sig. values on the range of leaders goodwill are .100, at 5 degrees of freedom, larger than those of availability of government arm and policy availability which remained at .017 and .002. The computed value is also larger than the table value of the chi-square which is .100. In this analysis, it prompts the researcher to make simple implications of accepting the null hypothesis that government goodwill has a positive effect on the project implementation in developing economies in Kenya. It would also be imperative to deduce that government goodwill improves highly motivated the implementation of projects in developing economies in Kenya.

#### 4.5.4 Correlation between level of education and ownership of property

Table 7: Correlation between Government goodwill and project implementation in developing economies

	Government goodwill	project implementation in developing economies
Leadership goodwill	1	0.552
Policy availability	0.552	1
No. of respondents	180	180

In utilization of a Karl Pearson correlation co-efficient in determining the relationship between government goodwill and the project implementation in developing economies, the findings of the study revealed a slight positive correlation of 0.552 between the two variables. The analysis was also cross checked with the findings at above on the results on the various indicators within the government goodwill and an impact on the project implementation in developing economies was consequently revealed.

#### 4.5 Community goodwill in Project Implementation

An analysis of the study findings on the goodwill of the community pertaining to the Tiomin project implementation was as shown in table 6 below;



Table 8: Proportion of respondents on community goodwill in relation to Tiomin project

<i>No.</i>	<i>Indicator</i>	<i>Agreement scale</i>					<i>N/A</i>
		<i>Strongly Agree</i>	<i>Slightly Agree</i>	<i>Agree</i>	<i>Disagree</i>	<i>Strongly Disagree</i>	
1.	I have knowledge on people who have benefitted from Tiomin project	48%	32%	10%	7%	3%	0%
2.	I have personally benefitted from the project	36%	11%	2%	19%	33%	0%
3.	Community support the project in this area	0%	10%	12%	32%	46%	0%
4.	I am satisfied with the way Tiomin is implementing and managing the project	2%	8%	12%	20%	58%	0%
5.	Community is willing to provide land in support of project implementation	0%	0%	20%	27%	53%	0%
6.	Community is willing to give labor to Tiomin project implementation	87%	8%	5%	0%	0%	0%
7.	The Tiomin project has supported community wellbeing	2%	18%	25%	35%	20%	0%

#### 4.5.1 Benefits from Tiomin

The analysis of the study findings in the table above indicate that 90% of the respondents confirmed to have knowledge on people within the community who had benefitted directly from Tiomin project while the remaining 10% denied.

Further analysis on the respondents' personal benefits from Tiomin revealed 49% of the respondents on the agreement scale having benefitted while the remaining 51% reported the contrary.

The foregoing analysis indicates that majority of the respondents could not figure out that the employment opportunity they had was a benefit from Tiomin. They regarded direct benefits to be materially connected and not the kind of job that the Company had offered for them.

#### **4.5.2 Community support to the project**

The study sought to find out if the local indigenous community supported the project implementation in the area and findings were as discussed below;

Only 22% of the respondents confirmed a weak applause in the agreement scale while 78% of the respondents reported that indigenous community could never support the project implementation in the area.

The high percentage proportion of respondents reporting that the community did not support the Tiomin project implementation could be as a result of the low beneficial rate of the community from the project. While the foregoing is so, it should also be noted that community support was in various forms and thus the respondents could have supported the project while still remain ignorant that they did so. For instance, accepting the job offered to them by the Company was a direct support to the project in man power provision.

Satisfaction on the way Tiomin implemented its project was also a defiant indicator of success. The study found out that 78% of the respondents strongly expressing their denial on satisfaction on the way Tiomin implemented its project. 20% expressed a weak confirmation on the agreement scale on their satisfaction in Tiomin project implementation.

In view of the above, the study also revealed that a bigger proportion (80%) of the respondents disagreed willingness to provide land in support of the project implementation. Only 20% of the respondents agreed on the weaker scale.

In relation to labor provision in project implementation, 100% confirmed their willingness with 87% strongly confirming their agreement to provide labor to Tiomin project implementation.

While community did not want to support the project implementation in terms of provision of land or any kind of support, they however opted to provide labor instead. According to them, labor provision was not perceived as support given to the project; it had a monetary string attached and was termed as a non-benefit but rather a return on investment on their labor.

### 4.5.3 Relationship between community goodwill and project implementation

In this study, the researcher attempted to establish if there is a relationship between community goodwill and project implementation in developing economies.

*Table 9: Correlation between community goodwill and project implementation*

	<b>Benefits from Tiomin</b>	<b>Community support to projects</b>
Benefits from Tiomin	1	0.779
Community support to the project	0.779	1
No. of respondents	180	180

A cross relation analysis was conducted as shown above using the Pearson correlation coefficient in order to establish the relationship between the two variables (community goodwill and the project implementation). The results revealed a positive correlation of 0.779 between benefits the community goodwill and project implementation. In summary, it was prudent to conclude from the test analysis that that although there was an increased number of respondents who were of the opinion that benefits from Tiomin had not been seen; project implementation was still quite prominent as opposed to those who had reported the contrary.

## 4.6 Financial viability in project implementation

The study sought to describe the optimal distribution of cash flow rights and control rights in many financial contracts with regard to project implementation in developing economies. The cash flows as stated in the various schools of thoughts described complicated major factors such as incomplete contracts, one-shot-large scale investment that cannot be split into small as well as costly information and sometimes unavailable to the parties at the time of contracting. A validation of the school of thoughts was done through the analysis of findings derived from the study as discussed below.

### 4.6.1 Tiomin projects completion

Validation of financial capacity of a company has always been a determinant factor in project implementation. Companies always use various criteria to assess this. In an academic angle,

researchers have also used a number of ways to determine the financial viability of certain companies.

In this study, the researcher sought to find out some of the indicators of success in project implementation under financial viability.

In view of this, the researcher asked the respondents who were employees of the Tiomin if the company had completed all its projects.

Majority (92%) of the respondents were of the opinion that Tiomin had not finished its projects while only 8% said that they were sure Tiomin had completed all its projects.

Further analysis of the research findings in relation to the reasons why they perceived Tiomin not to have completed its project revealed the following reasons.

Lack of community goodwill and unstable Government policies were reasons given by 54% and 23% of the respondents respectively. 13% of the respondents were of the opinion that Tiomin might have mismanaged its project implementation funds and this left majority of its projects at a standstill. Lack of technical expertise was reported by 7% while the remaining minority of 3% reported that insufficient Finances could have attributed to the company not finishing its projects.

#### **4.6.2 Availability and management of fund**

Availability of funds for the project was further assessed where respondents in this study were asked if they thought Tiomin had sufficient funds for its project implementation. 97% of the respondents reported that Tiomin had sufficient funds for its projects as some of the respondents were quoted below.

*“Tiomin is a Canadian company and it must have been planned for in advance before its inception. The slow pace of its project implementation could have been as a result of other issues and not financial capacity”* Respondents in Msambweni Constituency.

However, a small proportion (3%) of respondents pressed on that Tiomin had exhausted all its funds and had few or none left for its project implementation, thus the slow implementation of its projects.

Management of finances was also an indicator that the study sought to assess. Upon asking if the company was managing its finances properly, a lot of uncertainty was revealed. 67% of the respondents did not know if there was mismanagement of funds in the company. However, 23% confirmed that mismanagement of funds was quite rampant in the company while 10% expressed denial.

The high percentage proportion of uncertainty could have been attributed to the fact that financial management was not an aspect that was left to the public. However, in as much as it was not publicized, a few could still know what was happening within the company's financial records. These however, the researcher revealed that they were the middle category of staff who understood company accounts.

#### **4.6.3 Correlation between financial viability and project implementation**

While financial power is perceived to be a determinant, this study sought to justify this hypothesis. A Chi Square test methodology was carried out to the variable and an analysis of the test results.

The study sought to find out if there is a correlation between financial viability and implementation of projects in the developing economies.

**Table 10: Correlation between financial viability and project implementation**

<i>Tiomin project completion</i>	<i>Availability and management of funds</i>	
Tiomin project completion	1	0.932
Availability of funds	0.932	1
Management of funds	0.101	0.996

Determination of Chi-Square test relations was conducted using the Pearson product and findings of the Pearson test recorded as stated above. The Pearson product-moment correlation was run to determine the relationship between financial viability of a company and project implementation in developing economies. In all the indicators, it seemed there was similarity in the parameters tested through the Pearson product. The indicators revealed that there was a strong, positive correlation between the two variables which was statistically significant ( $r = .932$ ,  $n = 180$ ,  $P <$

.0005). From all indications, there seemed to be an implication that companies whose financial viability is high, there was always a clear indication of *project completion and related proper management of the funds*, hence more effectiveness in its project implementation. The Pearson Test analysis discussed above clearly gives the researcher the mandate to accept the null hypothesis that financial viability is a significant factor to be considered in efficient and effective project implementation in developing economies.

#### 4.7 Technical Expertise in project implementation

Technical expertise was an indicator that the study sought to determine. Analysis of the study findings on the indicator was as tabled below.

Table 11: Proportion of respondents with technical expertise

No.	Indicator	Agreement scale					
		Strongly Agree	Slightly Agree	Agree	Disagree	Strongly Disagree	N/A
1.	Availability of technical experts to implement projects	65%	15%	12%	8%	0%	0%
2.	Involvement of the employees in planning	8%	12%	20%	60%	0%	0%
3.	Management behavior on the employee motivation.	0%	0%	16%	72%	12%	0%
4.	Availability of a career path program for the employees	0%	0%	0%	67%	33%	0%
5.	Tiomin trains its employees	0%	7%	12%	33%	48%	0%

##### 4.7.1 Availability of Technical experts

The analysis of the findings indicates a strong confirmation on the scale in terms of availability of technical experts to implement the projects within Tiomin. 92% of the respondents agreed that Tiomin had the available technical expertise with 65% expressing a strong agreement. The high percentage proportion of respondents who strongly agreed on the availability of technical expertise could be attributed to the fact that the respondents, being staff at the Company would regard themselves as experts since they were discharging their duties effectively and efficiently.

#### **4.7.2 Staff involvement in planning**

The study revealed a disagreement of respondents on the scale as 60% of them expressed denial that employees were involved in the planning. However, 20% of them agreed with another 20% expressing a strong agreement on the same.

Involvement in planning for employees was an integral part which contributed to ownership of the implementation process as employees seemed vast with what they were doing.

The significant proportion of respondents expressing disagreement on the employee involvement in planning was an indicator of failure of the project implementation.

#### **4.7.3 Management behavior on the employee motivation**

The study findings sought to find out the Management behavior on the employee motivation within Tiomin Company and findings revealed 84% of respondents who expressed disagreement on the scale on management behavior on the employee motivation.

Company motivation was an incentive to improved staff performance and high productivity on human resource. The foregoing analysis therefore indicates that management behavior on employee motivation within the Company was lacking and thus prudent to conclude that productivity was still wanting.

#### **4.7.4 Career path program and employee training**

Availability of a career path program for the employees and Company training of its employees were integral parts of project implementation within a Company. The researcher was informed that neither career path availability nor Company training of its employees was practised in Tiomin.

Findings revealed high disagreement on the scale for both indicators.

100% disagreed that Tiomin had a career path program for its employees with a significant proportion of 81% disagreeing on the employee training within Tiomin.

The above analysis simply means that Tiomin neglects career development and thus a clear indication of project failure since employee motivation was lacking.

**Table 12: Test Analysis for technical expertise and project implementation**

<i>No.</i>	<i>Indicators</i>	<i>Mean</i>	<i>Standard deviation</i>	<i>Rank in severity</i>
<b>Technical expertise</b>				
<b>7.1</b>	Availability of technical experts to implement projects	2.08	1.13	1 <sup>st</sup>
<b>7.2</b>	Involvement of the employees in planning	2.12	1.28	2 <sup>nd</sup>
<b>7.3</b>	Management behavior on the employee motivation.	3.48	1.23	5 <sup>th</sup>
<b>7.4</b>	Availability of a career path program for the employees	3.26	1.46	3 <sup>rd</sup>
<b>7.5</b>	Tiomin trains its employees	3.62	1.14	4 <sup>th</sup>
<b>Grand mean/standard deviation</b>		3.18	0.12	

A test analysis conducted to determine the mean and standard deviation as shown in table 12 above was further discussed. The mean scores(2.08) and standard deviation(1.13) of the respondents in table 12 shows that project were implemented best when there was availability of technical expertise within a company in developing economies. The same, when correlated with the findings on the agreement scale indicted that availability of technical expertise was a significant indicator of success in project implementation in developing economies. Similarly, the involvement if employees in the overall planning of project activities within a company was a determinant indicator in implementation of the same project in developing economies. The aforementioned indictor was also high in the test analysis as it showed a mean score of (2.12) and standard deviation of (1.28). This was indicative of the fact that planning for the employees contributed to ownership of the implementation process and as a result, had a significant impact in determining the variable. This was also justified during the analysis of the findings at the agreement scale.



Still on the determining of standard deviation and mean score of the other indicators, management behavior also seemed to agree with a mean of (3.48) and standard deviation of (0.32). It was certain that the same agreement was also found in the analysis of data where the scale showed a consensus in its data variation.

While conducting a further analysis in relation to the availability of career path programmes for the employees within Tiomin company as an indicator to the variable and the relationship that the variable had in project implementation in developing economies, the table above shows that, the respondents have a better understanding on the value of career path program and project implementation and thus the absence of the same in Tiomin was a significant indicator of failure of projects. The mean scores 3.62 and 3.96 and standard deviations 1.4 and 1.1 for both availability of career path program for employees and training of employees by the company respectively clearly strengthens this idea.

#### 4.8 Management Behaviours

The study sought to determine the relationship between company management behaviours and the project implementation and some of the findings on the various indicators were as shown below.

*Table 13: Determination of Respondents in company management*

<i>No.</i>	<i>Indicator</i>	<i>Agreement scale</i>					
		<b>Strongly Agree</b>	<b>Slightly Agree</b>	<b>Agree</b>	<b>Disagree</b>	<b>Strongly Disagree</b>	<b>N/A</b>
<b>1.</b>	Support from top management	3%	12%	30%	52%	3%	0%
<b>2.</b>	Availability of management plan	37%	42%	21%	0%	0%	0%
<b>3.</b>	Applicability of the plan	0%	3%	19%	62%	16%	0%
<b>4.</b>	Plan has made positive impacts in to the company	0%	0%	12%	81%	7%	0%

##### 4.8.1 Top Management Support

The study revealed a balance of power in the levels of agreement on the scale as the proportion who disagreed, despite it being quite significant, were of similar weight to those who agreed that company management had a relationship with the project implementation at Tiomin Kenya

Limited. The foregoing analysis depicts that company management at Tiomin affected project implementation under certain conditions.

#### **4.8.2 Availability of management plan**

It was clear from the analysis of the findings that the company had a management plan. This was confirmed by 100% of the respondents where 37% strongly agreed on the availability of a management plan in Tiomin with 42% slightly expressing their agreement.

This therefore means that at Tiomin, project activities were highly guided by a management plan which was indicative of a clear and focused direction on project implementation.

However, on asking about applicability of the management plan, the story was different. A significant proportion (78%) disagreed on the applicability scale of the management plan. This was certain that the management scale was available but it was not in use and thus implementation of projects did not have a definite plan.

Again, 81% of the respondents disagreed on the impact of the management plan in the implementation process. It was certain that the impact could not be made without the applicability of the plan.

#### **4.8.3 Correlation of variable**

With no doubt, company management were considered as a significant determinant; a factor that was confirmed by a mean score of 1.28 and a standard deviation 1.54. This was indicative of the fact that we could not reject the null hypothesis.

While we accept the fact that company management was an indicator of success in project implementation in developing economies, it should be noted that the same behavior is encouraged by some indicators especially those discussed above. It is therefore safe to conclude that management of a company fills our list of the factors that accelerated implementation of projects in developing economies.

**Table 14: Model Summary (b) for company management**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.048 <sup>a</sup>	.002	-.122	11.40486

*a Predictors: (Constant), company management*

*b Dependent Variable: project implementation in developing economies*

The coefficient of determination ( $r^2$ ) as shown in table 14 above indicates a very insignificant level of relationship between the company management results in the test analysis and implementation of projects in developing economies. An in-depth test was conducted and results shown in table 15 below.

**Table 15: Residual Analysis for Company management**

Model	Sum of Squares	Df	Mean Square	f	Sig.
1	2.379	1	2.379	.018	.896 <sup>a</sup>
Residual	1040.567	8	130.071		
Total	1042.946	9			

*a Predictors: (Constant), Company management*

*b Dependent Variable: Project implementation in developing economies*

It is evident from the above analysis that company management has a significant impact on the implementation of project in developing economies; although the findings of the study revealed a contrary analysis as shown by the non stationary value of .018. This means that we reject the null hypothesis.

**CHAPTER FIVE**  
**SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSION AND**  
**RECOMMENDATIONS**

In this chapter, the major findings are summarized; conclusions are drawn based on the findings and recommendations are forwarded for the concerned bodies.

**5.1 Summary of findings**

Following the results of the test, the Coefficient of Government goodwill and community goodwill is negative at  $-.234$  at a standard error of  $.834$  and thus t test recorded at  $-.680$  after the first difference and thus we failed to reject the null hypothesis (both government and community goodwill have an impact on project implementation in developing economies) and conclude that the variable is integrated of Sig.000 at a constant value of  $.516$ .

The coefficient test was made to determine the results on the effects of the technical expertise with project implementation in developing economies. The R Square ( $r^2$ ) model was used and a standard error was recorded at  $8.39217$  at 2 degrees of defense and a figure of  $.392$  was arrived. In this determination therefore, it was predicted that the inadequate technical expertise could significantly influence the implementation of project in developing economies as evidenced by the  $r^2$ . The t value for technical expertise is registered in this t test at  $2.646$  after the difference. This means that it is significant and thus we fail to reject the null hypothesis.

Based on the financial viability analysis, the f value is significant and therefore we fail to reject the null hypothesis and conclude that the value is stationary. The t value in the above analysis is significantly positive at  $2.039$  after calculating the Coefficient. In as much as the findings of the study findings revealed a difference in the indicators within the variables, it was also very important to consider the test analysis results since they correlated the significance of the indicator in the overall implementation of projects. The findings of the test analysis are therefore indicative of the fact that the null hypothesis could not be rejected.

The coefficient of determination ( $r^2$ ) as indicated a very insignificant level of relationship between the company management and project implementation in developing economies. An in-depth test was conducted and results. It is evident from the above analysis that company management had insignificant impact on the project implementation in developing economies as shown by the non stationary value of .018. This means that we reject the null hypothesis.

## **5.2 Discussions of Findings**

The researcher herein outlines the discussions made following analysis of findings made in this study. The first objective was to determine government goodwill in project implementation in developing economies. A specific focus of was made to Tiomin Industry in Msambweni constituency, Kwale County-Kenya. Two indicators namely age; stability of government policies and effective leadership in government to enable sustainable project implementation were used to test the influence of government goodwill on project implementation in developing economies. Data was obtained from questionnaire responses by community members, Tiomin Company workers and other relevant stakeholders to test the hypothesis. The data revealed a significant relationship between government goodwill and project implementation within developing economies. It was imperative to note that the findings of this study correlated with the other research documentation revealed during the desk top review.

In a discussion on the second objective, the researcher sought to determine the influence of community goodwill to the project implementation in developing economies. In this objective, again two indicators were focused, namely; willingness of the community to support the projects and project support to the community wellbeing. The research findings revealed that out of the two indicators, project support to the community wellbeing significant impacted community goodwill and thus increased its viability to contribute to project implementation in developing economies. This relationship was analyzed using questionnaire responses from community itself and the findings are in agreement with Athey S. 2007 which indicated that the extent to which project supported the community greatly impacted the correlation of the community goodwill to the project implementation.

The third objective was to examine the influence of financial viability on project implementation in developing economies. The test to examine the relationship between financial viability and the project implementation revealed a significant correlation in the two variables. This result is similar to that of Steven N. Kaplan & Per Stromberg, 2000 which indicated that the financial viability was a significant factor influencing project implementation in developing economies. In general therefore, the study findings indicated that communities were more likely to influence success or failure of projects when their goodwill was clearly tested.

Data collected from questionnaires revealed that 57.6% of the companies managed their own finances while 42.4% reported of availability of sufficient project implementation fund. The results revealed that in the absence of adequate finances, project implementation usually failed. The finding is similar with that of Gestone G. 2006 which stated that the proper the management of funds and adequate availability of project implementation finds, the more successful it was in project implementation in developing economies.

The researcher found it wise to combine the two last objectives in his discussion since their findings revealed a similar characteristic in their relationship with the dependent variable. The fourth and fifth objectives were to assess the technical expertise and company management behaviours respectively in their correlation with project implementation in developing economies. Testing of the objectives were guided their indicators. Data analyzed from the questionnaires revealed 90% availability of technical expertise for project implementation while 60% citing availability of a management plan despite lack of applicability of the same and thus project implementation would be challenged to a great extent at management behavior level. The test results revealed a significant relationship between the company management behaviors and availability of technical expertise with the project implementation in the developing economies.

### **5.3 Conclusion**

In this study, the literature reviewed coupled with the experience, suggested that effective and efficient project implementation in developing economies can only be achieved by the companies themselves, based on a strengthened relationship between the variables; government goodwill, community goodwill, technical expertise, financial viability and management of

companies. However, government and community have an essential role to play in creating the external conditions for such implementation process in developing economies.

In the financial arena, risks and returns are two sides of the same coin and have a significant influence on the decision making processes. Availability and management of finances are two major components to take note of. Risks are less visible and less intangible than incomes. These uncertainties remains like so until they crystallize into future losses while earnings are a standard output of reporting systems complying with established accounting standards. According to findings in this study, such differences have been realized to create bias towards a systematic view of risks and returns making it more difficult to strike the right balance between them.

While consistently getting more focus on the issues of technical expertise within a given firm, probably because they are clearer cut, the technology issues in an implementation are normally the more easily resolved in the typical project; while the less clear cut human factors are pushed to the back burner. In reality the success or failure of any project implementation rests on the ability of the principals involved to manage the “human factors” of the project. Many opportunities are lost in system implementations because the people involved refuse to view the implementation as an opportunity to evaluate current processes and look for better ways of working.

If success is measured both in terms of bringing the project in on time and within budget as well as the satisfaction with and the ability of the users to use the new system, then managing these “human, financial and goodwill factors” is the real key to the success of any implementation in developing economies. This puts a lot of pressure on the project leadership and/or perhaps even more pressure on those who appoint that leadership team.

#### **5.4 Recommendations**

The research analysis led to a number of recommendations as discussed below;

There is need for proper policy formulation by the government in areas where mining is concerned to ensure that the goodwill of the government and the political environment is built sustainably to favor effective implementation of projects in developing economies.

The company project support to community (Community Social Responsibility) should be enhanced to build a sustainable partnership between the communities around the companies and the companies themselves for sustainable implementation of projects especially in developing economies.

Technical expertise within companies should be nurtured through training and career development projects to motivate and build morale of company employees for good performance in project implementation.

Financial viability was a factor that the researcher needed to know its impact and effect to project implementation. It was evident from the study findings that the availability of funds for project implementation was significant indicator. However, there seemed to be a gap in the management of finances by individual companies and thus the need to build capacities or companies to manage their own financial resourced a priority agenda.

There seemed to be laxity of the top management support in the project implementation and this compromising the entire organization behaviours in company management. The need for advocacy in top management support in project implementation needed no emphasis.

### **5.5 Suggested areas for further research**

Further research need to be carried out to establish how implementation of projects within companies could be greatly influenced by political power, establish the gaps that have been realised as a result of this study finding.



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**Appendices**  
**Appendix I: Letter of Transmittal**

**Isabel Caroline Wanjiku**  
**P.O. Box 83732 – 80100 GPO**  
**Mombasa**  
**April 17, 2012**

The .....  
.....

*Dear Sir/Madam,*

**RE: ACADEMIC RESEARCH**

I am a student at the University of Nairobi currently pursuing a Master's Degree in Project Planning and Management. In line with my studies, it is a requirement to undertake a research on a particular area of interest. It is for this reason that I am conducting a research on the factors that lead to project failure and making an emphasis on Tiomin Kenya Limited in Kwale County, Kenya.

The research will seek to understand the situation as it is in the subject under review through the use of a questionnaire. I am kindly requesting for your assistance in responding honestly to the interview questions.

Looking forward to your corporation

Thank you.

**Isabel Caroline Wanjiku**

## Appendix II                      Research Tool/ Questionnaire

### Introduction

Hello! My name is Caroline Wanjiku and currently pursuing my Master degree at University of Nairobi, Mombasa Campus. I am conducting a study in this area on the factors influencing project implementation in developing economies with specific emphasis on Tiomin Kenya Limited in Kwale County. Your participation in the study is voluntary, you can choose to participate or not to. The information that you will provide will be treated with confidentiality and will not be used for any other purpose other than the objectives of this study.

### Demographic profile

<i>Indicator</i>	<i>Response categories</i>
What is Your Current Age?	5. below 20 Years 6. 21-30 Years 7. 31-40 8. D. Above 40
What is your Current Marital status?	5. Single / never married 6. Married 7. Separated/ Divorced 8. D. Widowed
Education status	5. Never been to school..... 6. Primary..... 7. Secondary..... 8. Tertiary.....
What is your Current employment status?	5. Employed for a wage 6. Employed and part time entrepreneur 7. Farmer 8. Trader

### Government goodwill:

3. Is there a government arm working with the community directly on the mining industry in this area?
  - a) Yes
  - b) No
4. How is the involvement of the government arm in interacting with people in this area concerning the Tiomin mines?
  - o Provide meetings for community to share views
  - o Call community representatives to their meetings
  - o Deal with the direct beneficiaries only
  - o Provided support projects to community
5. Has the government given the community a chance to contribute to the development of the Tiomin mining?
  - o Yes

- No
- 6. Has the government shared any policy in mining in this area?
  - Yes
  - No
- 7. Are there elected leaders in this place who associate themselves with the Tiomin company?
  - Yes
  - No

**Community goodwill:**

<i>No.</i>	<i>Indicator</i>	<i>Agreement scale</i>					
		<i>Strongly Agree</i>	<i>Slightly Agree</i>	<i>Agree</i>	<i>Disagree</i>	<i>Strongly Disagree</i>	<i>N/A</i>
	I have knowledge on people who have benefitted from Tiomin project						
	I have personally benefitted from the project						
	Community support the project in this area						
	I am satisfied with the way Tiomin is implementing and managing the project						
	Community is willing to provide land in support of project implementation						
	Community is willing to give labor to Tiomin project implementation						
	The Tiomin project has supported community wellbeing						

**Financial viability**

- 3. Has Tiomin completed all its projects?
  - Yes
  - No
- 4. If no, what do you think has led to Tiomin not complete its project?
  - Insufficient Finances
  - Lack of technical expertise
  - Mismanagement of funds
  - Lack of community goodwill
  - Unstable Government policies
  - N/A
- 5. Do you think Tiomin has sufficient funds for its project implementation?

Yes

No

6. Do you think Tiomin is management its finances properly in the company?

Yes

No

### Technical Expertise

No.	Indicator	Agreement scale					
	Technical Expertise	Strongly Agree	Slightly Agree	Agree	Disagree	Strongly Disagree	N/A
	Availability of technical experts to implement projects						
	Involvement of the employees in implementation of the plan						
	Management behavior on the employee motivation.						
	Do you know of any career path program for the employees						
	Tiomin trains its employees						

### Company Management

No.	Indicator	Agreement scale					
	Company Management	Strongly Agree	Slightly Agree	Agree	Disagree	Strongly Disagree	N/A
	5. Support from top management						
	6. Availability of management plan						
	7. Applicability of the plan						
	8. Positive impacts it has made to the company						