

Business Management and Strategies

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Abstract

Critically examination of contemporary thinking and theories on strategy and explaining how strategies within an organisation competing in the build environment sector, or a specific part of the sector, could draw upon such thinking and theories in shaping the practice or process of strategy development.

Introduction:

This essay is aimed at critically examining contemporary thinking and theories on strategy, and to describe how strategists within a building contracting company competing in the construction industry or a related field could utilize these theories to develop a successful strategy. Furthermore, it emphasizes on, what are the specific challenges faced by corporate based strategists to boost the company's strength relative to the competition in the crucial areas, which are critical to accomplish success in the construction industry.

The strategic management processes include strategic analysis, strategic choices or options, and strategic implementation and response. Strategy is widely accepted as a significant tool for any business. Moreover, this essay seeks to synthesize the thinking of strategists and some of the tools, techniques and tactics that higher management or strategists may use to develop the strategic process. Construction business is a challenging and risky business. To effectively resolve the problems it has to face, it is imperative for the manager to think strategically about the organization's position and future. The top level management should engage in strategic planning and implementation to reach the goals and objectives of their company if they are to successfully compete in the construction industry.

Scholarly Views on Strategy

A summary of different views of scholars regarding strategy are briefly presented below:

- A. Chandler: The determination of the basic long term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary to carry out the goals (Chandler, 1962). This can be termed as the classical perspective definition of strategy. Strategies are integrated decisions, actions or plans designed to set and achieve organisational goals. This is also known as the "linear view."
- B. Hofer & Schendel: Strategy represents the content and outcome of the strategy formulation process (Hofer & Schendel 1978). On looking into this theory it could be deduced that in the case of an organisation, strategy describes:
 - I. The fundamental characteristics of the match of its inherent resources and skills, and what it achieves as a result of it within the framework of the organisation (internal environment).
 - II. The opportunities and threats of the surroundings in which an organisation flourishes, that enables it to achieve its goals and objectives (external environment).
- C. Van Cauwenbergh & Cool: Strategies are orienting metaphors or frames of references (Van Cauwenbergh & Cool 1982). It is also known as the interpretive view
- D. Porter: Route to competitive advantage is strategy formed of unique insights into industry relationships (Porter 1985). Strategizing as a process can help create those insights and define the goals that

insights are exploited and orientated toward, so as to become valued innovations

- E. Mintzbergs: Sees strategy as 5Ps- plans, ploys, patterns, position and perspective (Mintzbergs 1991). His analysis suggests that five Ps are interrelated. He further calls it a pattern, that is, consistent in behaviour over time (Mintzbergs 1994).

Critical Analysis of Existing Theories

Theory Vs. Practice – bridging the gap

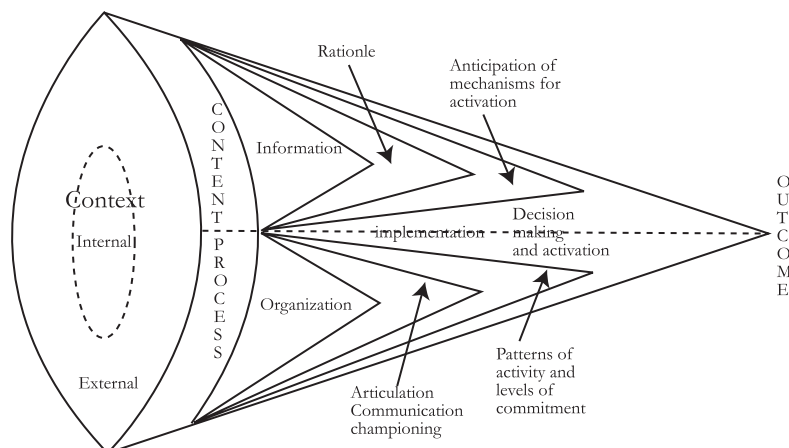
Theorists in strategic studies have expressed the importance of an approach which is more pragmatic, readily applicable and accessible from the view point of practitioners. Strategic planners were severely criticized by Kiechel who accused them of wasting time developing impractical and unrealistic strategies “at the expense of common-sense management” (Kiechel, W.,1984) . Braddick acknowledges the fact that both strategists as well as top managers exist and perform in extremely complicated situations leading “very fragmented lives” (Braddick, W.A.G.,1988) and unfortunately development programmes aimed at executives mostly tend to ignore this fact. Argyris (Argyris, C.,1989) indicates that organizations often generate and maintain inefficiency rather than seek to extirpate it, and strategic theory has been unsuccessful in helping practitioners in the field to identify the causes for same.

Whatever the latest advances in theory that support the contention that complexity and sophistication, most of all, are what most strategists need to assimilate and gain

control of , apparently there is a substantial and needless hiatus between some of the important theoretical developments and the practical implementation of successful strategy. If strategy is described as the systematic study of organizational problems from the view point of the management, as suggested by many scholars, then it would appear that “more efforts need to be made in order that theoretical perspectives are put to practical use.” Bridging the gap between theory and practice necessitates what has yet been failed to accomplish, namely, the development of a mutually acceptable standard useful to both practitioners and theorists alike. However, complexity and variety which constitute the essential core of strategy are not readily overcome in the attempt to clarify how to engender a common apprehension of strategy. Strategy comprises many dimensions so that the solutions of one dimension are transformed into the problems of another.

“Conical” thinking

Conceptualizing strategy using the conical symbol (see Figure 1) is an attempt to capitalise on the advantages of different views of strategy. Firstly, there are many beneficial effects to be derived from the concept that strategic development is to some degree at least linear and logical and that strategic activity is orientated in a targeted direction. The model is based on the concept that any strategy will focus on realising an identifiable set of objectives. Secondly, it should also be acknowledged that the way towards accomplishing these objectives is far from simple, and that both substantive and procedural issues will play a significant role in delaying, changing, damaging or even enhancing the realization of a specific set of strategic goals.



Hill (1993), De Meyer and Ferdows (1987) demonstrated that while enhancing the focus on market requirements is essential, an operation strategy provides a competitive tool to respond to market requirements. Likewise, operations strategy that is resource-oriented, fixes attention on technological capability, resources availability, processes and core competencies found in the operational systems to promote a learning system that stimulates sharp competitiveness (Long and Vickers-Koch, 1985; Hayes, 1985; Hayes and Upton, 1998; Hayes and Pisano, 1994). A greater part of the scholarly work done so far on resource and market oriented approaches is still mostly at the theoretical level, and only now are researchers starting to empirically verify the practical viability of these approaches. As both approaches have their respective advantages and disadvantages, they both indicate two points from which to commence in order to comprehend the nature, scope and logic relating to operations strategy. The present study therefore focuses on the following research questions:

- How are market necessities related to operational decisions? (market-based view)
- How does a company's core competencies, resources and operational capabilities influence its market position? (resource-based view)
- What are the consequences of linking the two views which are based on resources and markets respectively, by using business processes, or in the alternative, how could a company integrate its market and resource based strategies through business procedures?

The different literature available, relating to the market and resource based approaches to strategy management, share a common acceptance of some major issues that may come to constitute the foundation of a "dynamic strategy management process" (Acur, 2001). Firstly, employing a market-based approach to strategy might assist companies to choose one or two key competitive dimensions, and request management to meet the appropriate award winners and qualifiers. Secondly, a resource-based attitude to strategy might facilitate a company's operational resources and advantages to change the direction of competition. These two issues entail active integration of learning and culture within operations. This comprises a two-way integration process, where operating capabilities point the direction in which

strategy should go, with required feedback coming from the marketing perspective as to what operations could do to maintain and stimulate competitiveness.

What can strategists draw upon from such contemporary theories and thinking in formulating a strategy for a contracting company?

There is no unanimous consensus or commonly accepted definition as to what strategic management is or how it should be implemented. It is left to the discretion of various strategists to choose their models of preference and execute their options. Usually, the strategic management process comprises five stages which empower an organization to accomplish its goals. These are:

- 1) Strategic review
- 2) Strategic Analysis
- 3) Strategic choice
- 4) Strategic implementation
- 5) Feed back.

Strategic decisions are usually taken by the top management guided by long years of experience and business acumen. These can be called "Trial & Error" strategies. Experience is definitely useful because it exemplifies how the individual and collective experience of people when taken together with the standard assumptions and routine practices of organizations point the way to future strategies which are modifications and adaptations of past strategies (Johnson & Scholes, 2002).

The practical strategies implemented by organizations evolve by an on-going process of accretion whereby minor adjustments are added to the existing strategy over a period of time to achieve cumulative change (Johnson & Scholes, 2002). Even to effect minor alterations the organizations must go through the five stages of the strategic management process. In the strategic analysis stage the strategists are able to identify the main issues affecting the contracting company and its prevailing situation. This phase requires the strategists to employ the tools fashioned by the theorists in order to analyze actual and potential threats, recognize crucial opportunities and other important factors and thus facilitate correct decision making. The competitiveness and ability can be analyzed with the help of Porter's five forces model. Furthermore, competitor analysis could be used to analyze the competitiveness of organizations. The

external environment that impacts an organization could be analyzed with recourse to value chain analysis. SWOT Analysis is the most commonly used tool by a majority of companies to analyze internal and external environment.

The status of an organization from a financial perspective can be ascertained by analysis and evaluation using such tools as Decision tree analysis, planning of portfolios and actual option evaluation. By employing such tools a balance could be reached between risks and returns. Usually companies engaged in contract work would need a considerable sum by way of working capital in order to proceed with a project. Furthermore, as the construction industry is riddled with contingencies and surprises, and is also very vulnerable to a wide variety of accidents, Insurance coverage and adequate timely funding comprise an integral and indispensable part of the overall financial strategy.

In the operational stage of projects in a contracting company, it's imperative to have a strategy in place after careful analysis, to provide for the logistics of the operation, procurement choices, productivity, human resources & machinery management, and the procedures and methods to be followed in the successful handing over of projects, and the completion of the projects in time and within the budget. Raw materials like steel and cement, and resources in the nature of equipment and labour provide the basic inputs of the construction process. Thus, the resources market can create opportunities as well as threats to construction companies. With the multiplicity of projects being publicised, the contracting companies in the UAE are confronted with problems in obtaining the required raw material and resources to complete the projects in hand. Even the Suppliers are overloaded with prior commitments and contractual obligations for the delivery of massive quantities of supplies. So, in such volatile conditions one of the main strategies for a contracting company should be to concentrate on maintaining a better, trustworthy and reliable supply chain.

In contracting companies, the fundamental questions of technology strategy, still remain in the domain of choices and means for technology development. When technology is implemented three Primary issues require analysis. These are pioneer versus follower, Integration and assessing the relative importance between basic and applied research in order to allocate resources. Human

resources constitute the most vital component of the contracting companies. Therefore, a strategy needs to be developed and due consideration should be given to issues like training programmes, employment and labour laws, union management, work incentives and compensation policies. Given the current situation of low construction work in the UAE, only a policy on human resources which could keep abreast of it could be successfully implemented.

When the construction boom was in the UAE, the client base has widely diversified. Private clients, owners of real estate, the government, semi government institutions, foreign investors etc. are some of those who invest in the construction market for new projects that are being announced with regular frequency. Residential buildings, groups of villas, commercial buildings, shopping malls, roads, bridges, storm water drainage, water networks and many other projects are being given high publicity. In such situations strategists could profit from the thinking and theories of market segmentation. Strategists can focus on a specific segment depending on their perceived strength. Market segmentation can be exploited by a contracting company to excel in those areas where it has a competitive advantage.

Conclusions, further research and development

Operating minus a strategy is directionless and will be an impediment for the future development of an organization. A corporate strategy specifically adapted to the particular company structure should be chosen and implemented, and its efficacy should be regularly monitored through proper feedback. The derivation of corporate strategy should be totally different from student case studies made in class rooms where many unrealistic assumptions which are impracticable and arbitrary are made and could lead to failures, and possess very little chance of durability. Strategy is planned by the top management of the company, usually by the chairman or the general manager who has vast experience in the field normally extending up to 20 to 30 years working in similar environments, undergoing various difficulties, omissions and failures, and finally discovering feasible solutions to overcome those obstacles, and eventually conquering and recovering successfully to develop a good visualizing power of the beginning and end of a problem, and identifying the magnitude of the problems using the Ice Berg Technique.

Certain marketing theories can be imported by the consultancy firms to suit the industry rather than the business field. Product differentiation could be implemented by introducing a prequalification for tenders which will screen the entrants by providing a barrier and blocking inexperienced and unqualified organisations from entering the field and competing with the highly experienced and qualified organisations by offering cheaper rates.

Market segmentation could be implemented through innovative expansion into different fields such as Project Management, Building Industry, Infrastructure Development etc. and thus deviating from the traditional practices by exploring the opportunities in the market for wider expansion and greater profitability.

It is futile to implement strategy if it is not workable throughout the organization from the top level right to the bottom, up to the production staff, and yield suitable success and returns back to the top level through development and improvement. It is the supreme accountability of management in strategic planning to choose what will be practicable in terms of process, long term sustainability, and consistent profitability. Strategists should possess a sound knowledge of the business environment in which the company operates and the economic background and conditions prevailing in the country where it is located, as well as the diversity or variation to which it is subject both instant or long term, and the economical sanctions that are being applied. Strategic planners have also to take into consideration the political stability of the country, the requirements of the ruling party, budgets, financial stability, speed of receiving payments from the clients and their reliability, investment trends in construction industry etc. The ability to compete with rivals and the elimination of rivals by the adoption of successful tactics, and having the necessary insight to understand the strengths and weaknesses of rivals is a prerequisite for a successful strategist.

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Turriff Construction Ltd v Regalia Knitting Mills Ltd (1971)

Turriff tendered for the design and construction of a factory, and when told that their tender was successful asked for a letter of intent 'to cover us for the work we will now be undertaking'. The letter was issued stating that it was subject to agreement on an acceptable contract. Turriff began design work, and six months later Regalia abundant the project.

Held that Turriff request for a letter of intent made it clear that they required reassurance that they would be paid, and the letter contained that assurance. There was therefore consensus ad idem and a contract was found to exist.