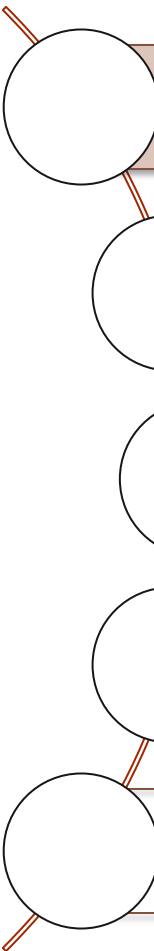


Strategic Management

Strategic Construction Management (COMA 6102)

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Background

Strategic Planning

Strategic Vision

Strategic Learning

A hybrid Approach

What is management?

What is strategic
management?



Why strategic management?

Strategic management:

- a systematic approach to a major and increasingly important responsibility of general management: to position and relate the firm to its environment in a way which will ensure its continued success and make it secure from surprises [*Ansoff (1984)*]



Strategic management:

- includes *strategic analysis*, in which the strategist seeks to understand the *strategic position* of the organization, *strategic choice* which is to do with the formulation of *possible courses of action*, their *evaluation* and the *choice between them*, and *strategy implementation*, which is concerned with both *planning* how the strategy can be put into effect, and *managing the changes required* [Johnson and Scholes' (1999)]



Strategic management:

(definition that will be adopted for this course):

- Strategic management is a system for producing strategies within an organizational infrastructure responding to an environmental context. [(*Fellows, et al.*)]
- Strategic management is sometimes referred to as *corporate strategy, business policy, strategic planning, etc.*,



Corporate strategy:

- The determination of the long-term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for achieving these goals and objectives (Alfred Chandler)
- The organization's pre-selected means and approaches to achieve its goals and objectives while coping with current and future external conditions (Lester Digman)



Corporate strategy:

John Kay extended this definition by incorporating the idea of “corporate success”:

- ... a successful company is the one which succeeds in establishing and maintaining relationships between its various stakeholders (employees, customers, investors, shareholders...etc) and maximizing the use of the surrounding environment to foster and improve these relationships



Strategic Project Management:

The use of appropriate project management knowledge, skills, tools and techniques in the context of the companies goals and objectives so that the project deliverables will contribute to company value in a way that can be measured (Callhan & Brookes, 2004, pp 23)



Strategic Project Management:

Strategic Project Management consists of selecting, managing, and measuring project outcomes to ensure optimal value for an organization. All projects taken by an organization must meet a set of criteria set up by the organization's leadership to ensure alignment with the strategic vision of the organization.



Strategy:

Strategy is a plan when it is perceived as some sort of consciously intended course of action.

By this definition, strategies have two essential characteristics: they are *made in advance* of the actions to which they apply and they are *developed consciously and purposefully*.



Reasons for strategic planning

- Change
- Renewal
- Funding requirement
- Financial forecasting
- Mandate
- Build consensus
- Improve staff and board relations
- Develop ownership
- Build community support
- Other (discussion)

Benefits of strategic management

- Defines mission, vision & values
- Establishes realistic goals, objectives & strategies
- Ensures effective use of resources
- Provides base to measure progress
- Develops consensus on future direction
- Builds strong teams
- Solves major problems

Strategy [defined according to Henry Mintzberg (1994)]:

Type of organization usually dictates type of strategic planning:

- Non-profit: Likely focus on board development, management, fundraising, policies
- For-profit: Likely focus on profit and strategic directions

Strategy [defined according to Henry Mintzberg (1994)]:

- is a **plan** when it is perceived as some sort of consciously intended course of action
- the definition of strategy as a **pattern** - specifically, a pattern in a stream of actions - implies consistency in behavior whether or not intended
- is a **position** - specifically a means of identifying where an organization locates itself in its `environment', which for a business firm means its market
- is **perspective/culture**, implies that strategy is a perspective shared by members of an organization, through their intentions or by their actions
- strategy as a **ploy** has political implications and is seen as a specific maneuver intended to outwit an opponent or competitor

The evolution of strategic management

- In the three decades since strategic management emerged as a distinct discipline, it has evolved through a number of schools of thought. These schools of thought in roughly chronological order are as follows:
 - the strategic planning school
 - the strategy - structure school
 - the power - culture school
 - the competitive advantage school
 - the incrementalists school
 - the synthesis school

The strategic planning school

- Igor Ansoff is often credited as the founder of this school and where his book, *Corporate Strategy*, originally published in 1965, was the first to offer a comprehensive theoretical framework for strategic planning.
- The rise in popularity of strategic planning in the late 60s and early 70s was halted by its failure to predict the 1973 oil crisis.
- It presents a highly formalized procedure, decomposed into an elaborated sequence of steps supported by techniques and checklists, and executed in a mechanical, almost military, fashion.
- The basic premises are that the formulation and implementation of strategy can be clearly separated, that it is the role of the chief executive to formulate strategy and control its implementation and that generic strategies will emerge fully developed from the process.

The strategy-structure school

- If business strategy is the process of formulating and implementing a strategic plan and strategic management is the dynamic element which steers and motivates business action, then the organization structure of the firm is the framework within which both strategy and strategic management occur.
- Business strategy and strategic management are both meaningless outside the context of a business organization; it follows, therefore, that strategy and structure must be interrelated.

The power-culture school

- The view of the organization as a coalition of powerful individuals and interest groups stems from the pioneering research of Cyert and March (1963).
- Strategy thus evolves through a bargaining process between the key actors or interest groups and dramatic changes in strategy may emerge as the power of the participants rises and wanes over time.

The competitive advantage school

- Michael Porter (1980, 1985) has put the classical economic theories of market forces into a framework for analyzing the nature of competitive advantage in a market and the position and power of a company in that market.

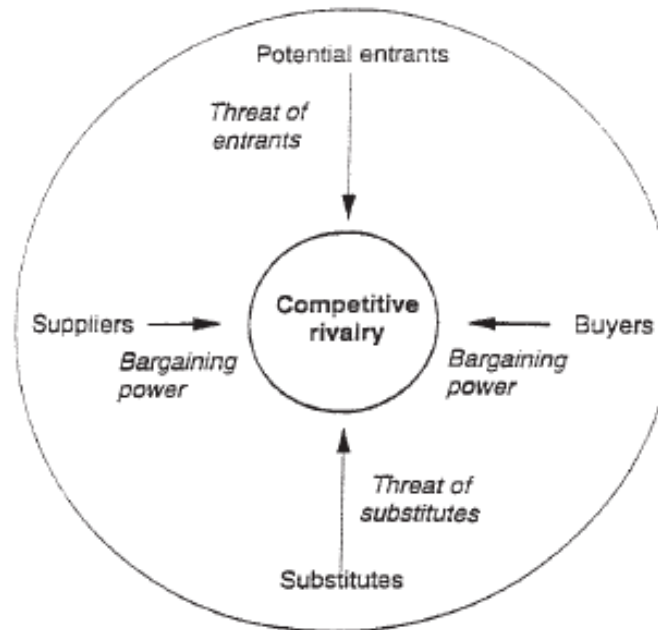


Fig. 2.2 Competitive forces. After Porter (1980).

The incrementalists school

- Quinn's (1980) research into the decision-making process of a number of companies revealed that most strategic decisions are made outside the formal planning system.
- Effective managers accept the high level of uncertainty and ambiguity they have to face and do not plan everything.
- They preserve the flexibility of the organization to deal with the unforeseen as it happens.

The synthesis school

- The current view of strategic management is a synthesis or integration of the respective schools of thought into a holistic view of strategic management.
- Two approaches to synthesis within strategic management are the study of patterns of strategic change over time and the identification of different strategy development routes.

Strategic decisions:

There are three basic questions which face every organization and its management about which decision required to be made.

1. In *what business* should we be operating?
2. How are *we positioned* to compete against others in that business?
3. What are the *strengths* and *weaknesses* and *range of resources* do we possess, *compared* to those of competitors and potential competitors if we branch out to certain new business and market?



Strategic decisions:

With these basic questions, the organization sets *aims*, *objectives* and *plans*, and then sets its *strategies* in order to achieve these goals and objectives



Strategic decisions:

Strategic decision made by organizations should be concerned with:

1. The *scope* of an organization activities : (eg. does the organization concentrates on one area of activity or does it have many?)
2. *Matching* activities and *its environment*: (eg. the decision should consider the continuous environmental changes)
3. *Matching* activities to its *resource capability*: (eg. resources must be available to take advantage of any opportunity or overcome any threats)

Strategic decisions:

4. Allocating and re-allocating of *major resources* in the organization: (eg. strategic decisions have major resources implications such as reducing or increasing labor, plant, facilities according to the change required)
5. Values, expectations & goals of *stakeholders*: (eg. the organization strategic decision will not only be affected by environmental forces and resources availability but also with the values and expectations of the people who have power in the organization)
6. Implications of *changes* throughout the organization, and which are likely to be complex in nature: (eg. strategic decision are complex in nature and includes high degree of uncertainty and hence require integrated approach to manage the organization and its resources)

Strategic decisions:

Corporate Level

Business / competitive level

Operational / technical level



Strategic decisions:

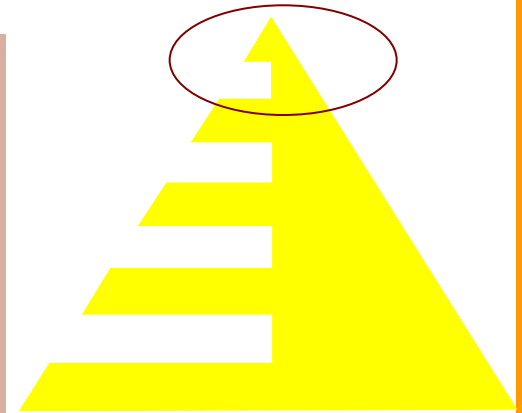
Corporate Level

It involves decisions concerning the business as a whole which addresses the design and re-design of the whole organisation to provide it with its aim and objectives and monitor its performance.

(Eg. be the Dominant Ceramic tiles factory in Addis Ababa/Ethiopia/East Africa)

2 - 5 years

Chief Executives - General Managers-
Divisional Managers



Top Level

Strategic decisions:

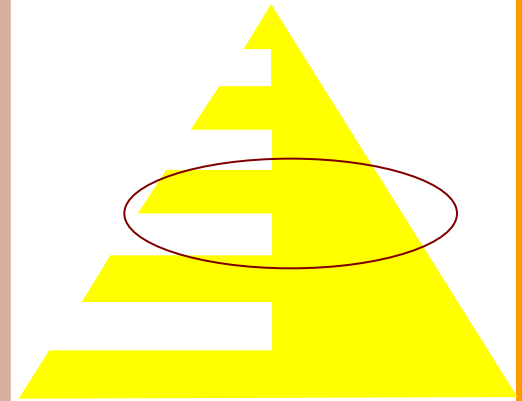
Business / competitive level

It is concerned with the programmed strategic decisions required for the continuous operation of the organisation, i.e. competitive strategies for individual markets.

(eg. High quality products; Lowest price; Customer service)

6 months – 2 years

Divisional Managers – Product line managers – Departmental managers – Plant Managers



Middle Level

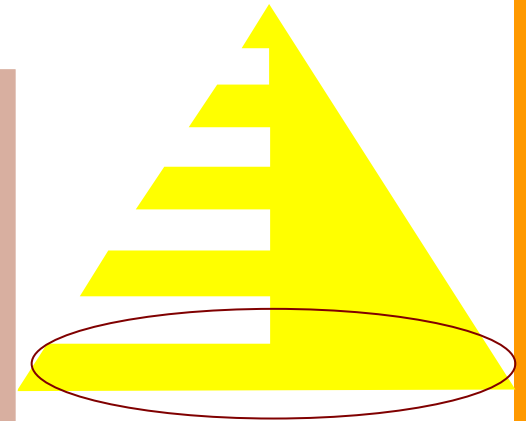
Strategic decisions:

Operational / technical level

It involves the basic working process of the organisation. Operational strategies addresses how the different functions contribute to other levels of strategy.

1week – 6 months

Functional managers- unit managers – supervisors - foremen



Bottom Level

Strategic decisions:

Operational / technical level

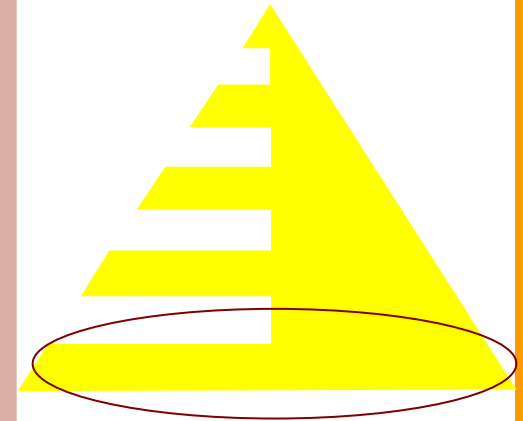
Quality control procedures (Quality control section)

Innovative ideas and substitute materials (Production , research and development section)

After sale service (on time deliver, replacement...etc) (customer service section)

1week – 6 months

Functional managers- unit managers – supervisors - foremen



Bottom Level



The Corporate Strategy Process:

The corporate strategy process consists of:

- Strategic Analysis
- Alternative Options
- Implementation of selected option
- Monitoring and feed back

The Corporate Strategy Process:



Strategic Analysis

- ☐ Enable managers to formulate a view of the key influences facing the organisation
- ☐ Allowing managers become better informed about the organisation situation
- ☐ It is an ongoing process to make sure that managers are aware of the organisation future.



Activity 1:

Think of establishing a business company in the construction sector.

Adopt the four corporate strategy option to formulate a strategy to make your company competent/successful in the current market.

The Corporate Strategy Process:



Alternative Options

- ☐ Generate alternative options to achieve the organisation objectives (or solve problem)
- ☐ Evaluate these options and identify the most appropriate one
- ☐ Select the suitable alternative.

The Corporate Strategy Process:

Implementation of
selected option

- ❑ Putting the plans to implement the selected alternative

Monitoring and
feed back

- ❑ Making sure that the selected option is implemented successfully
- ❑ Taking corrective actions if the implementation process facing problems or not being done as planned.
- ❑ Using feed back to improve the next strategic plan

The Corporate Strategy Process:

Types of decisions:

- **Certainly:** Under condition of certainty one knows the outcome of the occurrence of a given set of events in advance, and for these circumstances one develops standard operations procedures.
- **Risky:** Under condition of risk one knows all the alternative and the probability of their occurrence in advance, and so may specify the preferred response or policy.
- **Uncertainly:** Under condition of uncertainty while one knows all alternatives but no one knows the probability of their occurrence.

Operational vs Strategic Manager

Approaches of Project Management: Conventional and Strategic.

- Conventional Project Management focuses on finding solution within given constraints (emphasize on project administration)
- Strategic Project Management focuses on adding value to organization and maximizing ROI (emphasize on business synergy)

Strategic Vs Conventional Management

Conventional PM	Strategic PM
Outcome	Crafting for value addition to the organization in the dynamic marketplace
Duration (fixed deadline, schedule)	Timing the completion of product/service development for maximum cash flow
Cost (Budget)	Investing to develop competitive advantage

Operational vs Strategic Manager

Strategic project managers:

- focus on achieving business results
- by focusing on improving customer satisfaction , beating the competition and analyzing market data, they insure long-term success and profitability
- Instead of focusing on short-term results, such as meeting deadlines and operating within the budget, they have a long-term perspective
- they insure that their projects goals align with the company's strategic missions and objectives
- Operationally managed projects tend to focus more on just getting the work completed.

Current thinking is that the strategy-making process or system is a continuum with *strategic planning*, a top-down approach, at one end and *strategic learning*, a bottom-up approach, at the other. Between these two extremes there may be any number of strategy-making processes but we shall focus on just one called *strategic vision*.

- The strategic planning process consists of a sequential series of steps which are taken in a very mechanistic fashion.
- Probably the clearest and most practical exposition of the strategic planning process is developed by Argenti (1990)

Stages of strategic planning (Argenti, 2009)

- **Stage 1 Preparation:** to start the process and to select a planning assistant.
- **Stage 2 Objectives and targets:** to define the aims and ambitions of the organization.
- **Stage 3 Forecasts and gaps:** to calculate the size of the strategic task.
- **Stage 4 Strengths and weaknesses:** to decide what the organization is especially good at and bad at.
- **Stage 5 Threats and opportunities:** to identify what major changes the future may hold for the organization.
- **Stage 6 Alternative strategies:** to list all the alternative strategies available to the organization.
- **Stage 7 Selecting the strategies:** to decide which set of strategies is the most suitable.
- **Stage 8 Evaluation:** to determine whether this set is good enough.
- **Stage 9 Action plans:** to draw up detailed plans and budgets.
- **Stage 10 Monitoring:** continuously study progress over the years.



Activity 2:

- Set target, vision, mission and goals for your company.
- Discuss the importance of Strategic Management for your company.
- Conduct SWOT Analysis for your envisaged company.

Mission

Core purpose of your organization

- In the absence of a clearly defined direction one is forced to concentrate on confusion that will ultimately consume you.
- Presented in a clear, short statement that focuses on attention in one clear direction by stating purpose of the group's uniqueness.
- What is our purpose?
- Describes current state
- Timeline is 3-5 Years
- Builds on our distinctive competencies
- Tends to focus on Core Business
- 30-35 Words in length

Mission ...

Examples:

- “To Lead All Communities in Disaster Preparedness, Mitigation, and Recovery by Maximizing Assistance and Support.”
- “Caltrans Improves Mobility Across California.”
- To produce superior financial returns for our shareholders as we serve our customers with the highest quality transportation, logistics, and e-commerce.

Vision

What is your organization's vision of excellence

- Has to be realistic and not something impractical
 - Vision without Action is a Daydream
 - Action without Vision is a Nightmare
 - Not Optional
-
- Stretch – 30+ Years
 - 8-10 Words in length
 - Future State
 - Brief and Memorable
 - Inspiring and Challenging
 - Descriptive of the Ideal

Vision ...

Examples:

- “Light the Fire Within”
- “A Safer Future for All Communities”
- “See the Mountains – Breathe Freely”
- To Be the Happiest Place on Earth
- To Be the World’s Best Quick Service Restaurant

Values

What are the principles, standards, and actions considered worthwhile in the organization?

- Guiding Principles
 - Help establish Culture
 - Part of Preserving the Core
 - Core Ideology
-
- Includes how people treat each other, how groups conduct business and what is most important to the organization

Values ...

- CHP PRIDE
- HP WAY
- J & J Credo
- “Build the Spirit of the Place”

Developing the Plan

Goals

Identify long-term outcomes to provide focus for the planning process

Strategies

Outline how you will achieve your goals

Objectives

Identify specific, measurable results produced while implementing strategies.

Goals and Objectives Should Be SMARTER

- **S**pecific
- **M**easurable
- **A**cceptable
- **R**ealistic
- **T**imeframe
- **E**xtending
- **R**ewarding

The SWOT analysis (Strengths, Weaknesses, Opportunities, Threats)

It is widely recognized that the heart of the whole strategic planning system is Stages Four and Five, often called the SWOT analysis, which identifies the strengths and weaknesses of the organization for comparison with the opportunities and threats in the future environment.

The SWOT analysis Strengths and weaknesses check list

- finance and legal
- facilities
- purchasing
- products and services
- research and development
- marketing
- distribution
- employees
- management
- position in the industry

The SWOT analysis Threats and Opportunities check list

- political changes
- economic changes
- social changes
- technological changes
- changes in your own industry
- other changes

The SWOT analysis

Strengths		Weaknesses	
Marketing	A	High overheads	A
Merchants	B	New product development	A
		Dying products	B
		International	B
Opportunities		Threats	
International	HM	Declining home market	HH
New product home	HM	Over capacity	HH
		Foreign competition	HM

Cruciform chart

- Strategic vision has traditionally been called the entrepreneurial mode of strategy-making
- The strategic vision approach is a more flexible way to deal with an uncertain world.
- Vision sets the broad direction of strategy while leaving the details to be worked out in an incremental way.
- According to Mintzberg, the vision may be expressed as a broad perspective, which may be deliberate, but specific positions can emerge.
- The visionary mode requires that strategic vision comes from one powerful individual.

characteristics of a vision:

- Effective visions are inspiring.
- Effective visions are clear and challenging and concerned with excellence.
- Effective visions make sense in the market place by allowing flexibility within consistency.
- Effective visions must be stable but constantly challenged and changed at the margin
- Effective visions are beacons and controls when all is changing.
- Effective visions are aimed at empowering people
- Effective visions are focused on the future but aware of the past
- Effective visions are lived in the details

- In situations of turbulent change, when even strategic vision cannot cope, then the organization may have to revert to pure learning approach – to experiment with strategies in an incremental way, adapting and adopting those which seem to work.
- This is purely an emergent strategy of trial and error and trial again where the implementer becomes the formulator of strategy.
- The process becomes one of strategy formation rather than strategy formulation, by individuals anywhere in the organization.
- The realized strategy is the emergent strategy.

- The best managed and most successful of large organizations will exhibit a hybrid approach to its strategy process.

- **Mission** is the reason why the organization exists.
- **Vision** is the ideal state of the organization in the future.

Christenson and Walker , identified four characteristics that a vision should possess: it must be understood; it must be motivational; it must be credible; and it must be both demanding and challenging.

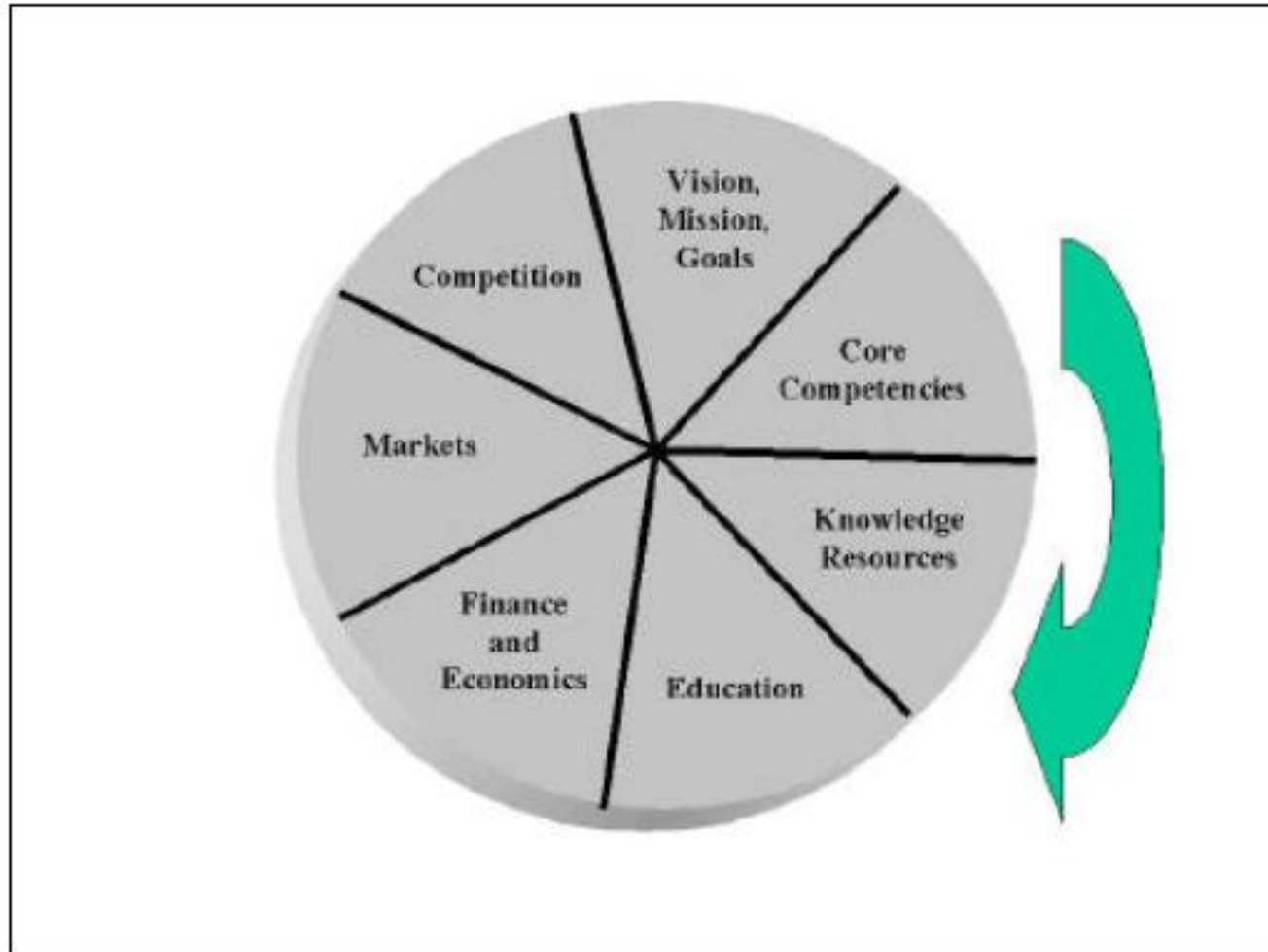
- **Strategy** defines the way of how to get towards the ideal state introduced in the vision.

- due to the extensive emphasis on project management requirements, significantly less attention is given to the unique requirements of strategic management in construction
- the emergence of three issues namely, *knowledge workers, new markets, and information technology* form the need for a strategic management perspective by construction organizations (Chninowsky and Meredith)

- A study proposed that strategic management in the context of the construction industry comprises the following seven areas (Chninowsky and Meredith) :
- **Vision, Mission, and Goals** – The starting point for all organization endeavors; establishing a vision provides each member with a direction to follow in all business practices.
- **Core Competencies** – The business boundaries for an organization; core competencies establish what an organization does best and where its strength resides.
- **Knowledge Resources** – The combination of human and technology resources that provide the backbone for completing organization projects.

- **Education** – A focus on the informal and formal requirements for lifelong learning and understanding of evolving business conditions.
- **Finance** – A broad focus on monetary concerns beyond the project-to-project concerns of budget and schedule control.
- **Markets** – The analysis of expanded business opportunities within domains that are related to core competencies.
- **Competition** – A focused analysis and understanding of existing, emerging, and future competitors in both existing and potential market segments.

The seven areas of strategic management work in a cyclical procedure, each providing feedback and reinforcement to the process (Chninowsky and Meredith)



Thank you!