# Perceptions of business performance in medium-sized construction companies in the English Midlands

A thesis submitted for the degree of Doctor of Philosophy

by

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**Abstract**

There is a gap between the performance of the construction company as a business and the performance of its construction projects. The research addresses this gap through how senior managers construct business performance in medium-sized construction companies which are believed to be working at both company and project levels.

Existing research identified determinants of business performance as locality, type of work and size of business, as well as management approach. Therefore this research is limited to the English Midlands to ensure commonality in the working conditions of the construction companies investigated and to understand other factors useful in creating business performance.

An interpretive research method was chosen because the construction industry operates substantively through the actions and relationships of individuals. A series of in-depth semi-structured interviews was conducted with senior managers in two stages. An analysis based on the content of the interview transcripts was used to develop the understanding of creation of business performance in a construction company.

The findings determined that business performance was a fluid concept in practice which is not handled well by academic theory. Medium-sized construction companies have a nature which operates through non-formal "direct managerial contact" and wider integration through a proactive company-wide drive for business development and business improvement. This means that effectively there is no gap between company and project. The company's business processes are flexible to address the market and client's changing requirements. However the project processes are more fixed to enable effective delivery. Thus business performance is created as an amalgamation of knowledge, experience, decisions and relationships that operate differently depending on market and operational context to deliver long-term sustainability to the company.

**Key words – Business Performance, Continuous Business Improvement, Construction company, Integration, People, Processes, Project**

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## Declaration

This is to confirm that this thesis consists of my own work funded by School of Property Construction and Planning, Birmingham City University, Birmingham, UK. The contents of this thesis have not been submitted for any other evaluation apart from this submission for the degree of Doctor of Philosophy at Birmingham City University.

A joint conference paper with the main supervisor, *Relationship between theory, methodology and construction practice in research into business performance of medium-size contractors* has been produced during this study. It was presented at the ARCOM Doctoral Workshop on 5th March 2008 and is available in the proceedings of the Association of Researchers in Construction Management, ARCOM Doctoral Workshop, University of Wolverhampton, pp 8-13. A copy of the paper is attached as Appendix 5

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## Glossary

This covers the meaning of the standard terms as applicable to this thesis.

Company – refers to a construction company engages in building/civil works construction unless stated otherwise. Its main concern is construction production process rather than design process.

Continuous Business Improvement (CBI) – a connection between company and its project/s. This research considers CBI as a process which has the ability to purposefully and directly affect business performance and consequently profitability of a construction company.

Environment – considers as the context in which construction companies operate its business i.e. construction production. In systems thinking adopted in this thesis, a construction company operates with a permeable boundary with its environment. Therefore, inputs are coming from the environment, company processes them and then the out put is given back to the environment as a building/structure. Examples for inputs are construction market, rules and regulations with respect to the construction industry.

Industry – refers to the construction industry unless stated otherwise.

Project – refers to a construction project unless stated otherwise.

Project management – refers to construction companies' project management not project management done by the client's team. This is different to other management. It is assumed that it involves an objective-driven concept in line with the process view adopted in this thesis.

**Note: use of inverted commas and brackets**

'……..' refers to a quote somebody said

"……" the researcher emphasised word/ a set of words in line with an applicable reason.

Ellipsis (…) used here to indicate a pause, connectivity or continuation in data

[letter] indicates a change in case by the researcher.

# PART A

## PART A – Research preface

Part A of this thesis comprises the first three chapters – introduction to research, methodology employed to investigate and articulate business performance (BP) in construction and a review of BP literature. These contributed to developing the more conceptual activities of this inquiry. Thus this part of the research is greatly influenced by seeking connections between the construction practice, methodology and theory.

Chapter 1 demonstrates an overview of this thesis. It describes briefly the researcher's theoretical and empirical understanding of the area of research, identifying the objective of the study and journey taken through BP. Chapter 2 discusses the conceptual and empirical methods used to engage with the interpretivist research methodology. It explains the methods employed to generate, then to analyse data; thus explaining methods of interpretation – phenomenological philosophy and hermeneutic perspective. Chapter 3 examines the relevant knowledge gained through reading related literature into the area of BP and organisational behaviour in construction management. This sets the scene for this inquiry and how the concept of BP could be identified through the perceptions of interviewees during data generation and analysis.

# Chapter 1 – Introduction

## 1.1. Research overview

This research examines the Business Performance (BP) of medium-sized construction companies. It explores the identified gap between construction company and construction project. This gap was studied through questioning how senior managers create BP in medium-sized construction companies which are believed to be working at both company and project levels. Therefore the aim of this research is to investigate "how senior managers construct BP in medium-sized construction companies". The following objectives were formulated to address this aim:

- To review management theories in BP and project performance appropriate to medium-sized construction companies.
- To explore how BP is perceived by companies' senior managers.
- To identify the key factors (external and internal) which influence BP in medium-sized construction companies.
- To discover how the perceived idea of BP is translated from company level to project level in construction companies.
- To articulate how senior managers construct BP in medium-sized construction companies.

BP is a complex concept which can be affected by various factors such as locality, type of work, size of business as well as management approach taken. Thus, to understand these complexities in BP in construction companies in a particular locality and size of company this inquiry was limited to medium-sized companies in the English Midlands. This ensured commonality in the working conditions of the construction companies investigated. Further reasons for selecting the concept of BP and medium-sized construction companies will be described in section 1.3 below.

Existing literature shows that the performance of the construction industry is not as good as manufacturing industries. Therefore, academics and the UK government have concluded that the construction industry must import tried and tested features from the

manufacturing industries in order to improve its performance. Furthermore, construction management (CM) critics said that the construction business was project-oriented and, therefore, construction companies did not pay sufficient attention to the long-term company interest.

An interpretivist research method was chosen because the construction industry operates substantively through the actions and relationships of individuals. A series of in-depth semi-structured interviews was conducted in two stages. In stage-one interviews, questions were derived from the European Foundation of Quality Management (EFQM) framework in order to work with a language familiar to practitioners and so generate more relevant and richer data. However, stage-two interviews were derived without using any such framework in order to explore beyond the limits identified during stage-one interviews.

The in-depth interviews from both stages were recorded to appropriate ethical standards, and selected parts were transcribed. An analysis based on the method of "meaning interpretation" (see Chapter 2, section 2.5.1) of the interview text was used to facilitate the connection between practice, relevant literature and theory. Data in this research appeared with an identifiable pattern – company and project – and so substantial themes were used for the analysis:

- doing business at company level
- doing business at project level
- doing business – the integration of company and project.

The success of data collection and analysis has confirmed that an interpretivist approach was a suitable method for undertaking this enquiry as construction practice involved substantive human interactions and complex processes. This study has confirmed some of the published findings and also revealed new findings such as companies investigated preferred to work collaboratively with clients with direct managerial contact approach which in turn eliminated the boundary between company and project.

The following section describes the characteristics of the UK construction industry. It has identified two broad views of the industry, where some researchers have criticised the industry and others have refuted these criticisms. Section 1.3 then discusses the researcher-imposed limits to this inquiry for effective management of this study. It discusses the reasons why BP was selected as the concept to study, and reasons to select medium-sized contractors in the English Midlands. Section 1.4 discuses the ways in which the research aim and objectives seek connections between CM practice and Organisational Behaviour (OB) theories. Section 1.5 describes the nature of this inquiry. This transdisciplinary research spans two broad disciplines, namely, CM and OB. Section 1.6 deals with the nature of this research task and the usefulness of good research design. This uses the preunderstanding and hermeneutics spiral (Gummesson, 2000 p15 and 71) as a stepping-stone for this research which is neither completely practice based nor conceptually oriented. It ends with a description of the researcher's ontological and epistemological stance related to this research. Section 1.7 briefly discusses the role of theory in this inquiry. Finally, section 1.8 introduces the three-part structure of this thesis.

## 1.2 The UK construction industry

Construction is a complex and dynamic industry. Researchers have described many different characteristics of the construction industry. Groák (1994) described the construction industry as a set of activities without a definable boundary. Kagioglou *et al.* (2001) and Hillebrandt (1988 pp5-8) perceived it as unique in its manner of operations and how it is influenced by its markets. Gruneberg and Hughes (2006) characterised it as a 'high risk, high volume and low-margin business'. Ball (1988 p7-11) described it as an industry of low-quality, high-cost and chaotic processes. Flanagan (1999) identified the industry as heavily fragmented including separating its design and construction activities and further breaking itself down into many sub-contracting companies which have specialist knowledge and so control parts of its operation. Ball further described the industry as heavily labour-dependent requiring a large amount of semi-skilled workers, many of whom are self employed. The situation is made more complex by the volatility of the market which causes contractors to focus on their immediate performance, particularly cash flow, to remain in the fiercely-competitive market as the dynamics of

demand and supply in construction industry change. Love *et al.* (2004) and Cicmil and Nicholson (1998) provided evidence showing that most construction companies do not operate with a long-term business approach.

The UK construction industry is generally conservative (Anumba, 1998) and complex (Ireland, 2004). However, it is a major industry that was expected to contribute approximately 6% of the UK economy for the year 2008 (ONS, 2008). It determines the country's ability to transform itself (Hillebrandt, 1988 p4). Contracting has traditionally involved fiercely competitive tendering processes which have driven costs down but created poor quality outputs, adversarial relationships and opportunistic behaviour to recover costs (Latham, 1994). This has also constrained the development of construction companies, many of whose existence is only short-term because of the low capitalisation and few entry restrictions (Ball, 1988 p44). Construction is undertaken by companies which differ greatly in size (CSA, 2008 p55; Morton, 2002 p36) with a large number of very small companies, a few large companies and a considerable number of medium-sized companies (Fellows *et al.*, 2002 p3). This character has not changed for decades. Large and medium-sized companies employ many small contractors as sub-contractors with a long supply chain extending up to manufacturing.

To complicate the situation, construction projects are complex (Bertelsen, 2003, 2002) technical processes set in often distant and difficult locations that are vulnerable to weather and local uncertainties. The temporary "multi organisations" that undertake these complex tasks come together for short durations in difficult contracting and sub-contracting relationships and thus are complicated to manage (Koskela, 1992; Crichton, 1966). The main contractor is responsible for coordinating these organisations, processes and people. The degree of interdependence is extremely high and deviations in any one activity have impacts on many others. Operations on site can be extremely unstable and require constant monitoring and adjustment to achieve success with a constant concern about failure. Thus overall profitability of any contract is always in doubt. As a result construction companies spend much effort monitoring cash flows and seeking opportunities to improve returns. The scale of the financial risk in a single project in a

contractor's portfolio of contracts is often larger than the company itself and the financial situation on one project can influence the work on another (Gruneberg and Hughes, 2006).

One of the main clients in the industry is the government; in addition the government regulates, makes policies and sponsors the construction industry (Myers, 2004 p15; Hillebrandt, 1985 p17). The problems of the industry and its poor performance have a direct political impact; thus the government has subjected the industry to continuous scrutiny and criticism with a string of reports with different solutions over the last sixty years. Barrett (2005) identified them as Fairclough (2002), Egan (1998), Latham (1994), Wood (1975), Banwell (1964), Emerson (1962) and Simon (1944). However, Barrett omitted the Tavistock report – *Interdependence and Uncertainty – A study of the Building industry* by Crichton in 1966.

Crichton (1966) believed that the construction industry was undergoing a significant change in socially, technically and financially in the 1960s. Therefore, this change has led to difficulties within the interaction of roles in technical, economic and social forces in the industry. Furthermore, '*interdependence* and *uncertainty*' were identified by Crichton as important characteristics of the building process. These characteristics still exist in the construction industry and lead to complexities in managing construction projects (Bertelsen, 2002).

In the past two decades, other industries have introduced new methods and techniques to improve their overall performance. It is expected that the construction industry should be able to do the same (Egan, 1998; Latham, 1994; Koskela, 1992). The use of Key Performance Indicators (KPIs)[1] and other benchmarks, e.g. the EFQM framework, is being promoted by the government to improve overall performance. Most construction companies are still lagging behind other industries in that respect (Koskela, 2000). Many researchers agree that the construction industry will improve only when it changes its organisational behaviour to be in line with other industries (Dubois and Gadde, 2002;

[1] KPI – is a set of measurements used by construction companies to define their goals and to measure progress towards those goals.

Koskela, 2000; Egan, 1998; Latham, 1994). However, construction companies are largely focused on improving project performance (Groák, 1994). Few companies understand the iterative and interdependent process between the construction industry, a construction company and the construction projects undertaken by that company. However, Barrett (2005) pointed out that, compared to other industries, the construction industry 'is in fact dynamic, [and] its relative Gross Value Added (GVA) has steadily moved ahead of manufacturing over the past twenty-five years' (figure 1.1).

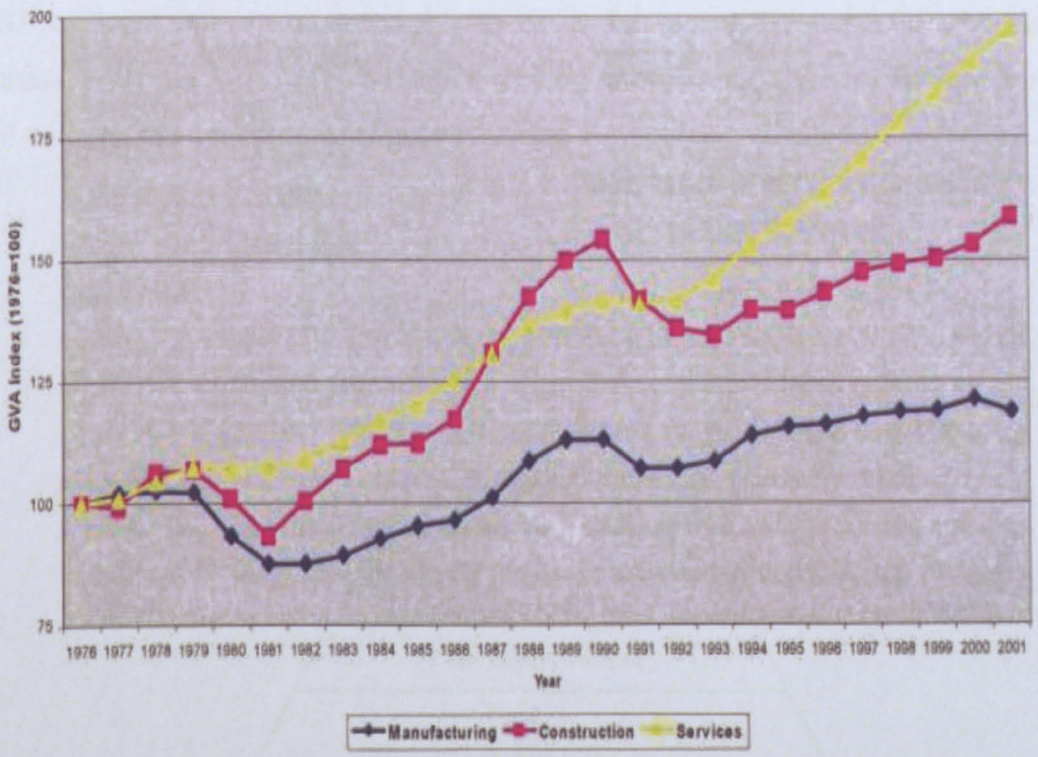



Figure 1.1 – Relative GVA trends UK 1976 – 2001 (Barrett, 2005)

On the one hand, the above GVA figures provide a strong indication to dispel allegations about the construction industry and its poor performance made by some researchers. On the other hand this increases the curiosity of researchers to study the industry and its behaviour.

### 1.3 Area of research and its limits

The previous section identified the construction industry as a complex industry and construction companies work at company and project levels to satisfy client demands. Given the nature of the industry and the nature of PhD research, this inquiry cannot attempt to capture all such complexities to which the whole of the construction industry or construction companies are subject.

The researcher's interest here is firstly to inquire into those effects applicable in the area of BP of construction companies due to its usefulness as a concept in a construction business; secondly, to develop an understanding of the connectivity of BP at the practice level with the theoretical level (figure 1.2).

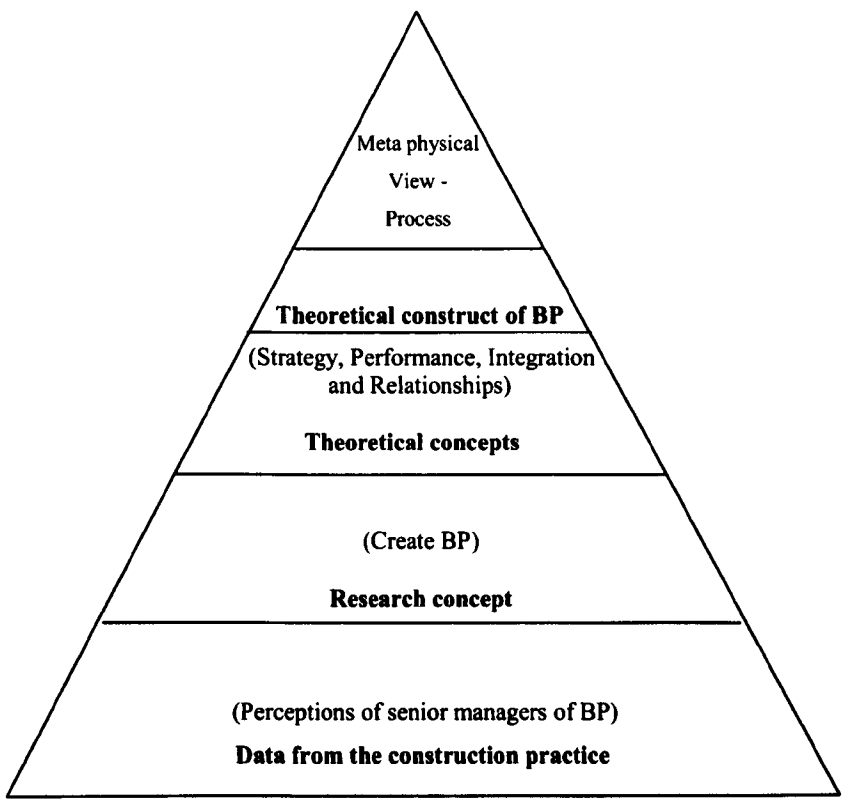



Figure 1.2 – Research diagram 1

BP is a frequently discussed area by academic researchers and practitioners. Koskela (2003) described many initiatives in construction renewal such as industrialization of

construction, new organizational models for construction project delivery, modes of procurements, advancing partnering, performance improvement and lean thinking. Furthermore, all such initiatives refer 'to reorganizing around core business processes' (Koskela, 2003). Although these core business processes take precedence in creating BP and justified its popularity among researchers and practitioners unfortunately there is inadequate connectivity at practice and theoretical levels. Therefore, there is a need to conceive of BP in a way that connects practice and theoretical levels. This became an important factor in this research and is illustrated in figure 1.2.

Furthermore, the reasons for selecting BP as the research concept are as follows:
(1) It is an important area for all companies but existing research has not described "what is BP in a construction company" in practice.

(2) Existing research in construction has demonstrated that there is a significant disconnection between BP at the company and project levels.

(3) Existing research has illustrated that research into BP can take many shapes as it deals with people and their intelligence, actionable information, and different technologies.

(4) This concept is primarily based in the social world but subjected to change in many dimensions.

(5) Therefore such a concept gives access to enquire into the fascinating world of people, processes and how they merge in the creation of BP in a company. (Section 1.5 examines the relationship of people to process.)

Thus this inquiry sought to understand the ways which people and processes create the BP in a construction company and its connections to theoretical construct of BP (figure 1.2).

However, the chosen area – BP – seems to be unmanageable for the nature of PhD study. Thus limits to this inquiry were developed in terms of the locality where companies are based and the size of the company. For this research the "medium-sized construction company" was defined as an independent company not in the public sector; which employs between 25 and 500 people. The ownership of these companies is shared by one or more shareholders. The business is construction contracting in building or civil engineering in new build and/or refurbishment. Furthermore, this study focused on medium-sized construction companies based in the West Midlands. These limits were developed mainly from the management point of research and also to facilitate comparison and contrasting like with like. The reasoning for this selection is further discussed below.

Sexton *et al.* (1999) noted that 'SMEs[2] and large companies are fundamentally different' and 'SMEs are more 'craft' based, which operate in simple localised markets'. Therefore, it is expected that this study could maintain the constant nature of the localised market when analysing the variations of BP in those companies located in one locality. Furthermore Sexton *et al.* (1999) saw that 'large companies are 'integrating' in nature, operating in complex dynamic markets'. Thus selecting medium-sized companies based in one locality is expected to lessen complexities in a study. This supports the locating of this inquiry in a specific region and the English Midlands was chosen owing to accessibility to research resources and the contact networks available to the researcher.

Reasons for eliminating large-sized contractors from this study are: firstly, their representation is inadequate because 'fewer large scale companies are responsible for only 13% of the industries total out put' (Morton, 2002 p41). Chinowsky and Meredith (2000) said that 'industry cannot ignore the fact that the industry comprises many more small organizations than large organizations'.

Secondly, large-sized construction companies do not operate like medium-sized companies based in a particular locality. In fact, the majority of them are working

[2] SMEs - Small /Medium Enterprises

nationally and internationally. A large-sized company focusing on the national level may not experience the same constraints and problems as medium-sized companies operating at regional levels.

Thirdly, large companies operate within well-established organisational structures, which are monitored and controlled by several directors and managers spread within several layers of management. Therefore, they operate within well-organised and established procedures and protocols with qualified staff in various disciplines, financial security and in most cases an international backing to continue with their operations in varying economic situations.

The reasons for excluding small-sized companies from this study are: firstly, they do not have any structure for comparison which the researcher believed essential to develop an understanding at PhD level studies. These contractors are generally engaged as sub-contractors, thus their work is scattered all over the country. This will lead to a difficulty in comparing their own BP in different localities and varied nature of work which gives rise to different meaning and beliefs to the concept.

Secondly, they do not have power and resources to work as main contractors in the industry owing to industry regulations covering procurement, health and safety and environment; and the requirement for high levels of specialist knowledge. Furthermore, the requirement for large amount of funds as security bonds at the start of a contract and retention withheld by the client at the end of a contract cannot be accommodated.

By considering these factors, this inquiry was designed to study the BP of medium-sized construction companies operating in the English Midlands. It can also be emphasised that medium-sized construction companies' representation is considerable and significant compared to the other two categories, as is their contribution to the economy of the UK. It is assumed that any research overlooking them would not give an accurate reflection of the behaviour of the construction industry in the UK. Therefore, on a national scale any

performance improvement in this category is believed to play a vital role in the behaviour change in the UK's construction industry.

This inquiry into BP of medium-sized construction companies is located within the much broader discipline of CM with the assumption that the popular area of project management contributes partly to creating BP along with a company's long-term view of the business. In doing so, it has addressed the related issues through the perceptions of senior managers on how they created and managed such processes, including the transfer of business idea from one level to another within the selected construction companies.

### 1.4 Research aim and objectives

Construction is a business done by people who are involved in numerous construction specialities to satisfy people's (clients/customers) requirements in producing long-lasting structures. However, this construction production process is subject to factors such as company governance and processes, industry regulations and social norms which are all imposed by people.

The epistemological assumption made, that a construction company is situated in a social setting where people (interviewees – senior managers in this case) are considered able to interpret their experience on processes in creating BP, has been supported by OB (Fincham and Rhodes, 2005 pp7-9). That is not to say the human element, its capabilities and conflicts will be overstated when interpreting how interviewees create BP. The researcher made every effort to design this research methodology to report perceptions of interviewees ethically and without distortion. Therefore, in this study the researcher envisaged the "construction company and its partners" as a social organisation which pursues a set of social acts in different ways; coming together to build long-lasting structures. The following section describes the research aim and objectives used to uncover senior managers' ideas, beliefs and values and the researcher's interpretation which informed how senior managers construct BP.

The aim of this research is to understand, in a social organisation, "how senior managers construct BP in medium-sized construction companies".

This is a study of business in a wider perspective than the financial perspective of business. Senior managers in companies produce financial information for themselves such as costs, projections, forecasts and financial structures. They use this information to asses the success/failure of the current and future direction of the company. However, this study employed the social perspective of BP, therefore the process cannot be explained without human participation.

Thus to fulfil this aim; the research objectives were set as follows:

- To review management theories in BP and project performance appropriate to medium-sized construction companies.

This will be a desk study to understand theory in different dimensions including theory development, its requirements and its usefulness related to construction practice. Theories appearing frequently in the literature will be studied conceptually and their empirical use in practice will be analysed through this inquiry (Appendix 5).

- To explore how BP is perceived by companies' senior managers.

Data from in-depth interviews will be used to understand the meaning given by senior managers to BP in companies investigated. Then the data will be examined to understand the complexity of BP in a company as it comprises many other processes inevitably connected in a company through business process, organisation management and people management (Part B).

- To identify the key factors (external and internal) which influence BP in medium-sized construction companies

The themetic data analysis will be expected to expose the key factors which are considered useful by the interviewees in creating BP (Part B).

- To discover how the perceived idea of BP is translated from company to project level in construction companies.

This study will be expected to explore the ways in which this constitution of BP is translated in a company from company level to project level through the integration of processes and people. Furthermore, it is expected to explain the management of such integration in construction companies (Part B, Chapter 6).

- To articulate how senior managers construct BP in medium-sized construction companies.

This objective will connect data from practice with related theoretical concepts in BP to articulate different issues, perceived as being important by senior managers in medium-sized construction companies, interact to achieve BP (figure 1.2). This articulation is expected to inform the future sustainability of these companies and suggest more effective approaches to management within the construction industry.

### 1.5 Research inquiry in context

CMAA (2008) defined CM 'as a professional management practice consisting of an array of services applied to construction projects and programmes through the planning, design, construction and post construction phases for the purpose of achieving project objectives including the management, cost, time and scope'. Thus CM is beneficial to the construction clients or owners from the original concept of the project to its completion. The discipline of CM spans the breadth of the construction industry such as how contractors operate their businesses, their relationships in the industry, what is taking place in their companies, how they differentiate themselves with respect to other companies, their plans for short-term profit generation and long-term sustainability. Therefore, in this field, research cannot be conducted as pure research or desk studies as it involves several layers of systems, regulations and professions.

CM is still a young discipline; developing from the early 1960s (CMAA, 2008). The nature of the CM discipline is that it consists of many problems and much data without academic theories to solve them (Hughes, 1994). However, Runeson (1997) argued that

CM is not a discipline in its own right but can be considered as a topic area which needs support from other diverse and established disciplines. Therefore, any research in CM can be problematic and the researcher needs to relate problems and data from CM with established academic disciplines (Hughes, 1994) such as OB, organisational learning, strategic management and so on to discover reasonable explanations and to provide recommendations. Rooke and Kagioglou (2007) emphasised that 'to understand a particular industry practice, we must look to the theories, ideas or beliefs that underpin that practice'. Unfortunately, '[t]here appears to be little two-way flow in construction management thought between theory and practice' (Betts and Wood-Harper, 1994).

Furthermore, '[c]onstruction problem solving characterizes much of construction management practice and thus is an important research domain. Nonetheless, research in construction problem solving has not yet crossed the threshold into a mature discipline as there is no universally accepted theory for construction problem solving research' (Li and Love, 1998). Perhaps this can be treated as an advantage for research in CM, as Saunders *et al.* (2007 p6) demonstrated that the British Academy of Management research favours transdisciplinary research: 'using knowledge from a range of disciplines enables management research to gain new insights that cannot be obtained through all of these disciplines separately'. The use of transdisciplinary research has also been favourably considered by Easterby-Smith *et al.* (2002 p8). However, Saunders *et al.* (2007 p6) argued that transdisciplinary research in management 'not only needs to provide findings that advance knowledge and understanding, it also needs to address... practical managerial problems'. Therefore this inquiry is expected to establish construct of BP which connects the practice level with the theoretical level (figure 1.2).

Therefore, by joining the above two concepts, if CM is not a discipline in its own right and there is also a need to understand how construction industry works related to other established disciplines, the researcher argues that such research falls under the heading of transdisciplinary research, which can be complex in nature. Existing research in CM does not give any clear direction for new research projects. Therefore, this research is based on the fact that CM is a discipline which does not specify any theory for its operations

(Hughes, 1994) and there are many ways to formulate or to arrive at a particular theory to use in the CM discipline (Seymour *et al.,* 1997). Such research can discover and explain practical problems in a wider context (Saunders *et al.,* 2007 p7). Thus this research is based in CM discipline to acquire data from practice and to analyse such data with conceptual explanations related to OB (figure 1.2).

OB is a well established discipline based on psychology and sociology (Fincham and Rhodes, 2005 p1); that covers a vast area and which explains thinking, performance and people in different systems and structures which are subjected to change in processes in an organisational setting. Therefore, 'organisations are social structures' (Cole, 2000 p2). However, there is another perspective in OB 'more favoured in recent years, [which] is to look at behaviour not as structure but as *process* and to emphasize factors of dynamism and change' (Fincham and Rhodes, 2005 p497). This process view matches the ontological stance of the researcher (section 1.6.1). Therefore, this research enquired into organisational process through perceptions of senior managers of BP in organisations. In doing so, it identified OB theoretical concepts such as strategy, performance, relationships and integration which led to articulation of how senior managers construct BP in medium-sized construction companies (Chapter 7, section 7.4).

### 1.6 Research task in context

The research design was important for this complex transdisciplinary inquiry because data were acquired from CM practice and logical analysis was based on OB discipline. Easterby-Smith *et al.* (2002, p21) defined research design as 'the overall configuration of a piece of research: what kind of evidence is gathered from where and how such evidence is interpreted in order to provide good answers to the basic research question[s]'. It is a challenge to any researcher, and Gummesson (2000, pp4-16) described the means to overcome it in three stages: effective use of "preunderstanding" of the research setting, accessing realistic data and by improving the quality of research.

Gummesson (2000, p15) defined preunderstanding as an input to research where 'people's knowledge, insights and experience into a specific problem and social

environment before they start a research'. Furthermore, preunderstanding 'is used in a wider sense than just *knowledge;* preunderstanding also implies a certain *attitude* and a *commitment* on the part of researchers/consultants. It involves their *personal experience* as an essential element in the process of collecting and analysing information. Moreover, researchers/consultants must demonstrate *theoretical sensitivity*' (Gummesson, 2000 p60). The word "understanding" is described as the output of the previous preunderstanding together with its data analysis and it 'acts as preunderstanding before the next task' (Gummesson, 2000 p15). Preunderstanding can be referred to as the tacit knowledge of the researcher on a certain research area which the researcher intends to develop and it can also be shaped by participants' preunderstanding based upon their own experiences about the research situation. He further equates the cyclical process of preunderstanding produces understanding which leads to enhanced preunderstanding as a never-ending hermeneutic spiral (figure 1.3) and considered it as a vital instrument for good research skills. Gummesson's other two stages in research design, i.e. accessing realistic data and improving quality of research, are dealt in Chapter 2, sections 2.4.1 and 2.6.1 respectively.

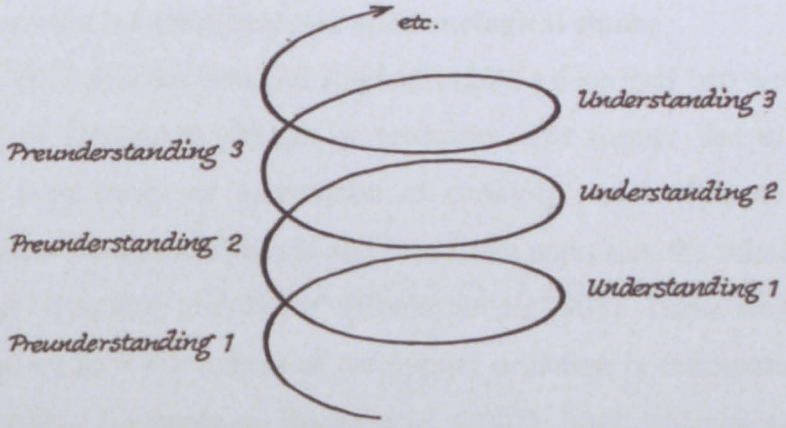



Figure 1.3 – The hermeneutics spiral (Gummesson, 2000 p71)

Furthermore, the research design needs to reflect the researcher's adopted ontological and epistemological stances. The researcher's stance has neither been purely ideological nor theoretical; it was significantly influenced by the empirical nature of this research area and also the researcher's involvement in the construction industry since early 1980s.

The connectivity of OB and CM in this inquiry can be explained through the relationship of people to process in a construction company. The CM at practice level is assumed as a set of processes which are stimulated by one another. More precisely, it is a changing process; commencing with the initial concept to build and terminating with the finished product (sometimes extended to maintenance) but also involving building a relationship with the client for future construction work. This provides an ontological position – process view (section 1.6.1) for this research (figure 1.2). Empirically it incorporates many different professionals and trades along the changing process which gives rise to different issues related to performance of work. These issues are dealt within an organisational context. Cole (2000 p310) described the principal issues addressed by OB as – (1) individual behaviour and performance at work, (2) the nature and working of people in groups, (3) the nature of social structures and organisational design at work, and (4) the processes involved in adapting behaviour to meet changing conditions. Therefore these OB theoretical issues are compatible with empirical issues in the CM discipline.

### 1.6.1 The researcher's ontological and epistemological stance

Rooke *et al.* (2007) and Koskela and Kagioglu (2005) described two world views – the world consists of substances (things) or processes. The former 'led to an a-historical approach, the requirement or assumption of certainty and analytical decomposition' whereas the latter 'favours a historical and contextual approach, the acknowledgement of uncertainty and a holistic orientation' (Rooke *et al.* 2007). These world views could 'strongly influence how the subject of the inquiry or action is conceptualised' (Koskela and Kagioglu 2005). Furthermore, Rooke *et al.* (2007) said, 'substance-based solutions predominate in the construction industry' in the UK. However, the researcher argues that conceptually construction business needs to be managed based on the ontological category of process view. It has the capacity to integrate company and project processes empirically, thus to develop long-term BP for the company.

The suitability of the ontological process view is further supported by following existing studies. Koskela (2000, 1992) analysed construction using "transformation-flow-value" approach where flow is actually the process identified by Shingo in 1988 (Bertelsen, 2003). Rooke *et al.* (2007) described 'over-reliance on the ontological category of substance poses a significant conceptual barrier to progress in the construction industry'. Koskela (1992) described that there are two main processes, design and construction, which are supported and controlled empirically by project management process, design management process and construction management process. Those 'processes may be characterised by their cost, duration and value for the customer' (Koskela, 1992). Therefore, these diverse empirical processes need to be managed efficiently to achieve required construction production. Unfortunately, it is not the case because 'traditional managerial concepts have not only ignored but actively deteriorated flows of construction' (Koskela, 1992). As a remedy, understanding the governance of process approach in construction management is required (Winch, 2001). Therefore, Winch (2001) elaborated Williamson's transaction cost approach in relation to the construction project life cycle and discovered that governance of transaction 'combines the presently diverse perspectives of construction law, economics, and management'.

Thus, to govern a construction company and to develop and enhance its BP, understanding of diverse empirical and conceptual processes is deemed to be a vital qualification for senior managers. It can be further supported by the popular construction business initiatives such as total quality approach, lean construction and supply chain. These initiatives are focused on integrating empirical processes in company and project levels and aim to developing long-term BP for the company, which satisfies the ontological requirement of process view.

This research assumed that the whole construction business involves pre-contract and contract processes. The pre-contract processes such as design, estimating, planning can be done precisely using substance view but contract or the construction production needs considerable adaptation due to numerous prevailing conditions which leads to acknowledgement of uncertainty and complexities by all parties involved. This satisfies

the definition given above for ontological process view. Koskela (1992) treated complexities and uncertainties in construction as 'resultant process features rather than as primary peculiarities'. Furthermore, the success of empirical construction process 'depends on having the right relationships between the parties to the process' (Hillebrandt, 1988 p39). Consequently, in this study, it was assumed that construction production which leads to creating BP in a company is achieved by collaboration between processes and people in a company (section 1.6).

Therefore, to manage and accomplish complex pre-contract and contract processes, people are vital in the construction industry. Bryman (2004, p16) said that 'the social constructions built up from the perceptions and actions of the social actors'. Thus this research tapped the senior managers' knowledge, experience and perception to understand "the version they give to their world" to get close to the reality. The epistemological position taken is that people working at senior positions in the construction companies are able to interpret their perceptions based on their past and present experience. Therefore, the researcher viewed reality through social actors, and findings were interpreted through common understanding between the social actors and the researcher. This is in accord with the view that 'sociological research should be concerned with gaining an understanding of these interpretations' (Jones, 1993 p137).

Consequently, considering the above ontological and epistemological factors, and further reasons explained in Chapter 2, section 2.2, this research was designed as an interpretivist research which inquired into the reality through perceptions of senior managers' using the research concept – BP. This inquiry was concerned with the way in which organisations work and how organisations deal with the perceptions, beliefs and actions of people within them. Therefore this research was designed to capture such ideas, processes and actions which were taken in a social field full of human interactions at different levels. The following section briefly describes the researcher's understanding of theory in this inquiry.

## 1.7 Understanding the role of theory

A researcher faces a great challenge in theory-building or theory-improving exercise irrespective of its paradigm. Elsbach *et al.* (1999) described how 'legitimacy of a theory is reflected in its acceptance'. They further exposed a debate that 'the scope of a theory is correlated with its level of acceptance as a research tool, then there appears to be a conflict between what is required for a theory to gain acceptance (legitimacy and power for the theorist) and being deemed acceptable (credible)'? Weick (1999) described 'tradeoffs' and 'reflexivity' as two significant issues for theorists. Tradeoffs deal with the level of complexity of a theory whereas reflexivity deals with a researchers balance between theoretical perceptions and concepts of the subject under research.

Nevertheless, theoretical underpinning in the construction industry is rather puzzling. This can be due to the large variation and fragmentation observed in the industry. The previous CM theoretical reviews have recognised systems theory and its variations – socio-technical systems and complex systems theory, transaction cost approach, resource based view and lean principles. In general, they are all different-level theories and demonstrate close relationship to organisational performance whereas BP is an integral element. This study employed the systemic view of construction process as the theoretical framework to design in-depth, semi-structured interview questions, to design the themes for data analysis and to develop a greater awareness of data.

Swarnadhipathi and Boyd (2008) (Appendix 5) show that a theory has different requirements: 'empirical validity is one requirement that a theory should satisfy among other requirements such as sensemaking, believability (credibility), adaptability and coherence'. Therefore, a conceptually-derived theory may not be very pragmatic and empirically-derived theory may lack conceptual coherence. However, with respect to the construction industry 'the need is to apply theory to assist thinking about organizational issues rather than to develop theories or to test them' (Lansley, 1994). Thus this inquiry was not intended to develop or test any theory; instead systems theory was used in research design, evaluating findings and developing a thorough understanding about the concept of BP.

## 1.8 Structure of the thesis

This thesis employed a three-part structure for effective presentation of work. Part A (Research preface) consists of three chapters namely, research introduction, methodology and review of literature. Part B (Research findings) consists of the next three chapters which were based on the three themes adopted in data examination. Thus includes chapters covering doing business at company level, doing business at project level and doing business through the integration of project and the company. Finally, Part C (Evaluation of research) consists of two chapters, the synthesis of research and the conclusion.

This chapter has so far provided a concise view of this research. The concept examined is BP in medium-sized construction companies. The data collected from interviewees at the practice level is analysed using a set of themes to develop an understanding of the concept BP. Furthermore, theoretical concepts identified through data analysis strategy, performance, integration and relationships are used to conceptualise the understanding of the BP. The chapters of the thesis are as follows:

Chapter 2 describes the methodology adopted with conceptual and empirical reasoning for different elements in this research design. The conceptual activities consist of placement of this inquiry in the interpretivist epistemology are comprised of study of the nature of construction industry, construction process and debate into CM research. The selection of the hermeneutic perspective, methods for data generation and analysis are based on the conceptual understanding developed on interpretivist research in the CM discipline. Then, related to the empirical activities, the selection of the interviewees, design of interview questions, the method used for conducting interviews and preparation of data to generate findings are discussed.

Chapter 3 sets the scene for this research by reviewing related literature. It discuses BP in a company in general and particularly related to a construction company. It explores financial and non-financial BP indicators. It also covers BP frameworks and

management. It further discusses BP links – strategy, marketing, relationships, client/customer satisfaction and quality of construction production identified through empirical data examination. Finally it explores the selected existing literature which criticises and supports the performance in the construction industry and the identified disparity between construction company and project/s.

Chapter 4 explores the findings using the theme of doing business at company level. This chapter discusses in detail company-level processes based in ways in which interviewees perceived them. They are ways of getting business, business development and relationships at company level.

Chapter 5 investigates the findings using the theme of doing business at project level. This chapter discusses in detail what interviewees perceived to be useful project/s processes for creating BP. Their perceptions evolved around projects and management of project/s as a priority, relationships in project/s, and performance criteria helping to develop BP.

Chapter 6 examines the findings using the theme of doing business through the integration of company and project. Although there is a propensity of data overlap, data was carefully identified and examined to explain the integrated way of working in a construction company. Thus this chapter covers company and project boundary, integrated processes adopted and the continuous business improvement process taking place in a construction company.

Chapter 7 synthesises the findings empirically and conceptually. It includes an analysis of empirical findings. It describes theoretical concepts extrapolated from findings of this study - strategy, performance, relationships and integration. It also discusses of the use of integrative devices that companies employed to construct BP. It further explains the usefulness in theoretical concepts in the continuous business improvement processes to construct BP in companies.

Chapter 8 concludes the research with a concise description of findings and a broad definition for BP using findings in this research. It includes implications of this research for literature, methodology and theory. It discusses the accomplishments and shortcomings of this research. Finally it concludes the research with new insights generated as a result of this inquiry.

# Chapter 2 – Methodology: investigation of business performance in construction

## 2.1 Introduction

This chapter deals with the way in which this inquiry was approached and the subsequent reasoning for adopting the interpretivist methodology. Considerable time was spent on understanding the concepts and principles of interpretivist epistemology and on reflecting its suitability for this inquiry. Thus this demonstrates the researcher's struggle to understand research methodology in both conceptual and empirical aspects related to construction management (CM) practice and organisational behaviour (OB) theory.

The development of this methodology commenced with the conceptual understanding gained from the argument in the CM research as is explained in section 2.2.2. This emphasizes that this methodology has a purposive meaning when coupled with CM practice and OB theory. On the one hand, the development of this research methodology played a role in every stage of this research inquiry process and, on the other hand, the methodology was enhanced by other parallel processes undertaken such as literature review and data collection. Different methods used here act as vehicles leading to logical analyses and to discovering the most appropriate research findings.

Even though this thesis is written in a standard format this research was not carried out in that order. The following outlines the steps in which this research was progressed:

- Step 1 - Understanding the construction industry in the UK, CM practice and OB theory as described in Chapter 1, sections 1.2 and 1.5 respectively
- Step 2 - Identifying the area of research, research aim and objectives, and research limits as described in Chapter 3 section 3.5, Chapter 1 section 1.4 and Chapter 1 section 1.3 respectively.
- Step 3 - Access data (stage-one) using the EFQM framework as described in section 2.4.1.2
- Step 4 - Analysing suitable research perspectives and compatibility of data considering the analysis of data as described in section 2.3

- Step 5 - Finalising the connectivity and suitability in hermeneutic perspective with phenomenology approach (section 2.3.4), data generation through semi-structured interview method (section 2.4.1) and data analysis using hermeneutic principles (section 2.5.1).
- Step 6 - Access data (stage-two) without using the EFQM framework as explained in section 2.4.1.4.
- Step 7 - Data analysis (Chapters 4, 5 and 6) exposed the links in BP.
- Step 8 - BP links were explored in the existing literature to develop an understanding of the research concept - BP - as discussed in Chapter 3, section 3.4.
- Step 9 - Finally the researcher interpreted how senior managers construct BP in medium-sized construction companies as described in Chapter 7 based on empirical findings in Chapters 4, 5 and 6 and theoretical understanding generated in Chapters 1, 2 and 3.

Figure 2.1 below summarises the interpretivist research methodology adopted to investigate perceptions on business performance (BP), to interpret how interviewees created BP empirically, and its usefulness in generating theoretical concepts to articulate how interviewees construct BP in a construction company as shown in figure 1.2 – Research diagram 1.

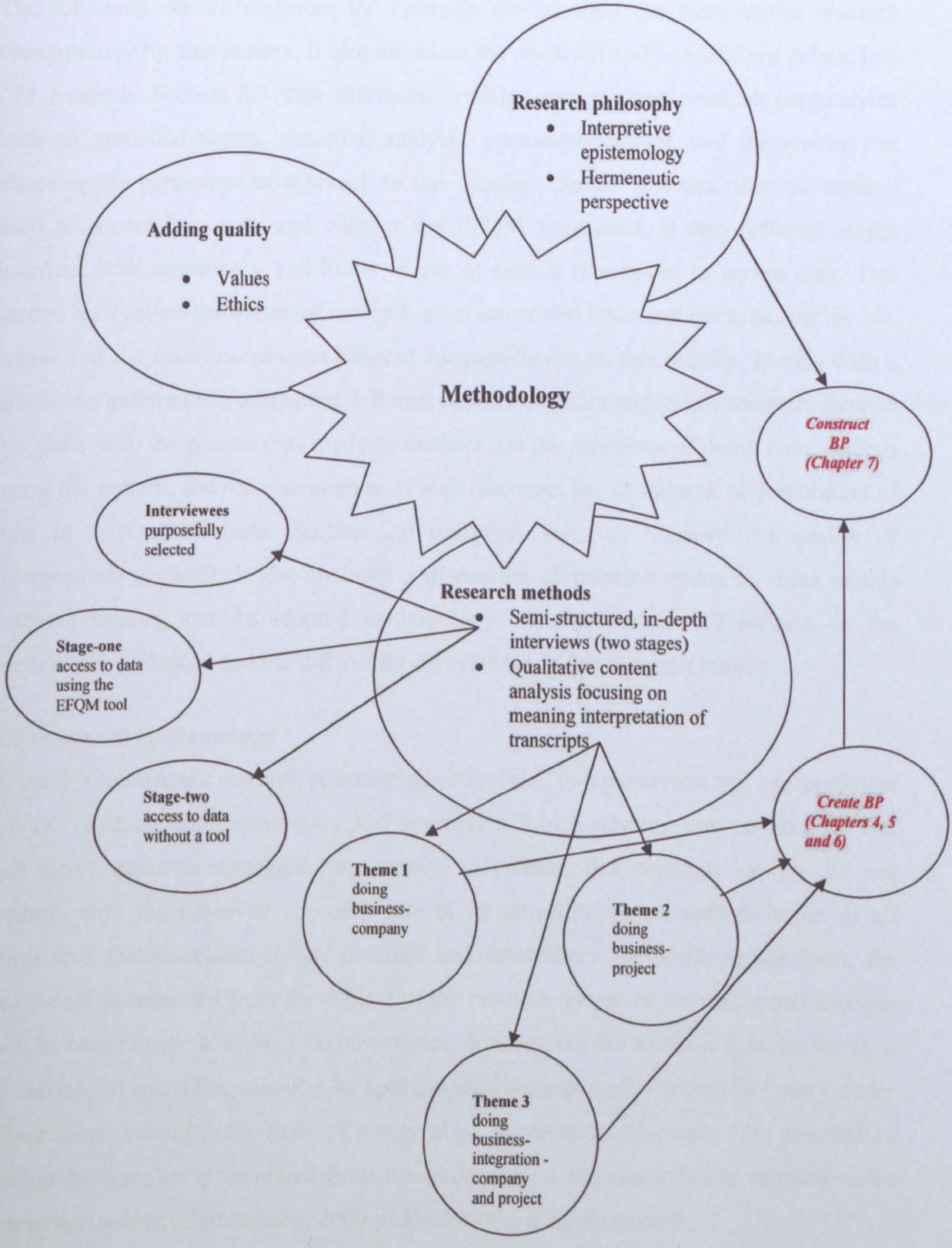



Figure 2.1 – Schematic layout of Chapter 2 with connections to the following chapters

The following section describes the rationale for selecting the interpretivist research epistemology for this inquiry. It also discusses the positivist and interpretivist debate into CM research. Section 2.3 then discusses available interpretivist research perspectives such as grounded theory, narrative analysis, ethnomethodology, and the reasons for choosing the hermeneutics approach to this inquiry. Section 2.4 describes the method used to access data with and without the EFQM framework at two different stages together, with advantages and limits in use of such a framework to access data. This section also covers the design of in-depth, semi-structured interview questions for the two stages and the selection process adopted for participants in this inquiry. It ends with a brief description of the companies and interviewees participating in this research. Section 2.5 deals with the chosen data analysis method and the processes of doing data analysis using the pattern, themes and memos. It also discusses the usefulness of preparation of data in different formats. Section 2.6 discusses ways to improve the quality of interpretivist research. It also includes a discussion of research ethics in terms of this research inquiry and its adopted methodology. Finally, section 2.7 reflects on the methodology adopted and the difficulties experienced in this research inquiry.

## 2.2 Research epistemology

A study into different research epistemologies revealed that positivism and interpretivism are the most common epistemological approaches which develop into quantitative and qualitative research strategies respectively. However, this research inquiry did not comply with the positivist approach due to its objective nature and exclusion of all subjective factors related to the research and researcher. In positivist approach, the researcher is separated from the subject of the research, observes the reality and analysis will be based upon facts. Such an observation does not see the world as it is. However, it is capable of providing answers to approve or disapprove of a scientific theory under observation; usually on a basis of theory-blind observation. Normally this observation cannot be completely separated from the researcher as the researcher is carrying some preunderstanding (Gummesson, 2000 p15) about the area of research.

Furthermore, this transdisciplinary research spans CM and OB disciplines as explained in Chapter 1, section 1.5. Thus a variety of considerations such as sensitivity, complexity and ethical requirements of BP as a research concept were considered during the placement of this research in the interpretivist epistemology (Chapter 1, sections 1.3, 1.5 and 1.6). The appropriateness of the selected interpretivist epistemology is further described in the following section.

### 2.2.1 Interpretivist approach to research

The argument created here is that there is a complete difference between the natural world and the social world (Benton and Craib, 2001 p75). People are not treated as machines (objects) as they have different beliefs and values about the society in which they live. Bryman (2004, p13) said 'the subject matter of the social sciences – people and their institutions – is fundamentally different from that of the natural sciences'. This type of research can explore the deeper meanings that participants/social actors give to the subject under research. Therefore it interprets the reality as experienced by the participants in a research.

Bryman (2004, p540) defined interpretivist approach as an 'epistemological position that requires the social scientist to grasp the subjective meaning of the social action'. It makes the researcher very concerned about how individuals who take part in the research (social actors/respondents and researchers – individuals who are subjected to social values and norms) make sense of the subject under research. Therefore, the researcher reflects his/her own preconception together with the social actors' understanding of the subject. This approach requires the researcher to explore the attitudes and behavioural motives of the participants. It demonstrates that the interpretivist approach is subjective in nature as the researcher is involved as a participant and s/he reflects about the subject under research. Thus, the nature of reality can be perceived as opposed to the observable nature in the positivism approach. However, there is a greater possibility of bias in the nature of interpretation of data. The researcher's interpretation is based on his/her preunderstanding and developed understanding of the subject, theory and concept, in line with the participants' interpretation of the subject under research. The main disadvantage

of this approach is that the researcher is conscious of "one thing" which overlaps between the researcher and the social actors/respondents but not "other things" which might be necessary for good research.

The interpretivist approach to research has branched off from phenomenological approach to research where it assumes the social world is different from the natural world (Harvey *et al.*, 2005 p55) and it also considers the actor's point of view (Benton and Craib, 2001 p82). The initial work of interpretivist research was carried out by Max Weber (Benton and Craib, 2001 p76). However, 'Weber was not a phenomenologist, yet he was concerned with the actor's point of view' (Benton and Craib, 2001 p82). Max Weber's work has been developed by various other philosophers including Alfred Schűtz (Bryman, 2004 p13). Benton and Craib described how Schűtz was concerned with both the individual motives of people and the social processes. In other words it is based on human thought in a social surrounding. Therefore, interpretivist approach is more suitable to research into complex topics in social phenomena.

Gummesson (2000, p175) referred this interpretivist approach as hermeneutics approach to research. Gummesson explained the research relationship between positivism, interpretivism and hermeneutics thus: a positivist, as a researcher will deal with processing of data and 'completely disregard non-verbal phenomena such as body language, physical environment and unexpected events that may occur during an interview. Phenomenologist would register all cues in an effort to "understand" the respondent. A hermeneutics scientist would go a step further to "interpret'' these immediate events also in the light of previous events, private experience and whatever they find pertinent to the situation under investigation' (2000, p175). Thus, the researcher investigated the appropriateness of this hermeneutics approach in interpretivist research epistemology for this inquiry in section 2.3.4.

### 2.2.2 Positivist, interpretivist debate in CM research

During this study, the debate about the research epistemologies for CM research was followed. Seymour and Rook (1995) and Seymour *et al.* (1997) suggested that CM research should change its paradigm from positivism to interpretivism. They believed that to understand real world problems in a social setting such as in CM discipline, one needs to understand the context in which they are formed.

Runeson (1997) defended the positivist paradigm but stated that certain types of research can be undertaken using an interpretivist approach. However, his concerns were about the negative effect of interpretivist approach as opposed to vigorous and value neutral positivist approach. Thus it raises a question of validity and reliability in interpretivist research. The Unique Adequacy (UA) method, proposed by Rooke and Kagioglou (2007) which described a set of rules to conduct and evaluate interpretivist research in CM discipline can be considered as a possible answer to Runeson's concern. Gummesson (2003) clarified that the researcher needs to be familiar with the methods and techniques of qualitative epistemology and the evaluation should be based on generated data within adequate criteria in qualitative research.

By making the situation more complex, Collier (2006) argued that the non-homogeneous nature of CM discipline has created confusion and legitimacy of positivist and interpretivist research approaches. Nevertheless, 'what we know has a social dimension and therefore the need for shared understandings of epistemological legitimacy is emphasised' (Collier, 2006). Collier agreed with the philosophical stance of (Benton and Craib, 2001 p79) that 'the shared culture is essential to interpretivist understanding'. Then from an empirical point of view, Gummesson (2003) said '[b]oth numbers and words require interpretation' and he argued that 'all research is interpretive'. Therefore, the researcher should 'recognize that interpretive elements are influential and present in all types of research and see them as an asset rather than a cross to bear' (Gummesson, 2003). However, this debate will be continued in academia as and when new knowledge is developed in both positivist and interpretivist epistemologies considered beyond the aim of this research.

Therefore, in summarising the above debate, 'in positivist research the relationship between theory, practice and methodology is unproblematic being reduced to good procedure, but in interpretive research such a smooth relationship is not evident' (Swarnadhipathi and Boyd, 2008). Thus, this research has challenged the researcher, in determining a suitable methodology including strategies to get access to suitable data and to produce data analysis in a convincing manner aiming to interpret perceptions of senior managers on how they create BP. It has also identified that the majority of academic research is not used by CM practice (Morris and Lancaster, 2005). This reason made the researcher aware of how to add value to CM research by making it more valuable to CM practice.

Thus, this research inquiry was designed in the interpretivist epistemology by considering the above debate, the reasons explained in Chapter 1, sections 1.2, 1.3, 1.5 and 1.6 and reasons explored during this study which will be discussed in the following sections. All above factors confirmed the appropriateness of interpretivist epistemology for investigating the concept of BP, which is embedded in complex social phenomenon of the construction practice.

### 2.2.3 Reasons to place this inquiry in interpretivist epistemology

This research notion has been analysed by CM researchers and practitioners using positivistic epistemology. The reason can be the availability of numerical data through performance measurement frameworks and regular financial analysis as described in Chapter 3, section 3.3.1.1. However, the existing research demonstrated that operational factors take centre stage in a company (Chapter 3, section 3.3.1.3). Those operational factors have a direct input in formulating the BP of a company and in doing so; they influence the financial performance of a company. Therefore, this research was designed to enquire into how those operational factors shape the BP of a company through the perceptions of senior managers who are assumed to be involved in creating BP.

Therefore, the focus of this interpretivist research inquiry is two-fold: firstly, to discover how senior managers have perceived the idea of BP and secondly, how they have translated that business idea within their company and project/s to create BP. This inquiry was designed to investigate human beliefs, values and experience of respondents by means of their perceptions of BP and the idea translation in a medium-sized construction company without the use of sensitive financial measures.

Considering the above debate about CM research and the logical factors such as (1) CM is a field in a social setting, (2) the nature of the industry as explained in Chapter 1, section 1.2 that it is a fragmented industry, a joint venture of different specialisations, heavily labour dependent, involve complex technical activities, uniqueness in projects, (3) from Seymour and Rooke (1995); in the real world managers and engineers think about and handle work differently and (4) the researcher's ontological stance and understanding developed through operational factors and financial factors in creating BP; all of which display a complex social element. Thus, it was decided that interpretivist research epistemology would be more appropriate to explore this research inquiry in a complex social setting.

The suitability of the chosen interpretivist approach can be further explained as; firstly, the construction industry attracts a wider cross section of participants in different specialisms. In reality construction process is a mix of performances of human participation in different specialisations. Those specialists deal with their trades and specialisations bound by different regulations, thus their perceptions of means of achieving the same finished product is different. Therefore, potentially conflicting ideas are difficult to avoid. Seymour and Rooke (1995) stated, that CM research is principally set in a rationalist paradigm but, in the real world, managers and engineers think about and handle work differently.

Secondly, since the construction industry operates on a conflicting background, the decision-making process in such an atmosphere is complex and is also aggravated by the fragmented nature of the industry. Construction product is the result of several activities

which are widely spread; hence it required all the people involved from different trades and specialisations to focus in the same direction to achieve successful completion of the construction production. There are different systems (human and non-human), regulations and norms adopted in a construction company to manage the process efficiently and effectively by overcoming potentially conflicting ideas. However, in reality human nature tends to override all set protocols in a company.

Thirdly, the reality of BP is subjected to the individual performance of several participants in a company. As explained in Chapter 1, section 1.2 a construction company requires people with different skills and specialisations for its operations. Therefore, creating BP in such a diverse company is not solely dependent upon decision-making and decision makers. It is best viewed as an amalgamation of all processes and participants aligned efforts in creating BP.

Since this inquiry involves complexity in social phenomena as discussed above, an interpretivist approach to exploration is suitable. Furthermore, in reality, the word "performance" is not purely objective as it cannot exist without individual actor's efforts in the process. Therefore, it is assumed that preunderstanding of the researcher and the intended participants can be used for making this research more explicit. This interpretivist approach provides an understanding of the viewpoint of the social actor – human thought and action on the research concept (Bryman, 2004 p279) creating a meaningful way of exploring the BP in medium-sized construction companies. Therefore, this interpretivist research design has considered the methods which recognise the concept of preunderstanding of its participants.

### 2.3 Interpretivist research perspective

There are different perspectives available for conducting interpretivist research. These different research perspectives can uncover different findings in more or less similar areas of studies (Flick, 2007 p18). Furthermore, Flick described grounded theory, social representation, biographical approach, ethnomethodology and ethnography as available research perspectives. The established research perspectives do not work effectively

across all types of research concepts. They have limitations when accompanied with unsuitable research concepts. Thus, wrong selection of research perspective can lead to serious consequences to the out-come of the research inquiry. The researcher noted that, a careful analysis is necessary to select the most appropriate research perspective. This perspective should have the ability to explore the given research topic and enhance the findings with minimal or no limitations with respect to the methodology used.

It was resolved when adopting the interpretivist research epistemology for this inquiry, the most suitable method to generate data would be using in-depth interviews due to the nature of this inquiry. This interview approach will be discussed in section 2.4.1 in detail. However, Kvale (1998 p38) reported that interviewing technique is extensively discussed in qualitative literature 'but not the philosophical implications of the mode of understanding' further, he presented post-modern thought, hermeneutics, phenomenology and dialectics as 'philosophical lines of thought that have analysed that very themes central to qualitative research interviewing'.

Therefore, during formation of the rest of the methodology for this inquiry, popular qualitative research perspectives – Grounded Theory (GT), Narrative Analysis (NA) and Ethnomethodology approaches were studied in line with CM research and qualitative interview method to access data. The following section discusses their values and limitations related to this inquiry, both conceptually and empirically. Furthermore, Gummesson explained the extension from phenomenology to hermeneutics approach; considering interpretation of understanding of respondents as described in section 2.2.1 above. Therefore, the possibility of using the hermeneutics perspective with the interpretivist epistemology and interviewing technique will be investigated in section 2.3.4.

### 2.3.1 Grounded Theory perspective

GT analysis is defined as a data analysis approach suitable for interpretivist research; the evolvement of theory takes place as interplay between data collection and data analysis (Bell, 2005 p19 and Strauss and Corbin, 1998 p12). The GT method consists of unit of

analysis, categories and propositions. The unit of analysis is the conceptualized idea of research, in this research; the perceptions of BP. Data categories are derived from coding the data where coding is defined as 'the analytical processes through which data are fractured, conceptualized and integrated to form theory' (Strauss and Corbin, 1998 p3). Propositions involve conceptual relationships (Whetten, 1989); which can be interpreted as the means of establishing relationships between the concept and discrete data categories for theory building. Furthermore, Denscombe (2007, p334) defined theory as 'a proposition about the relationship between things'.

Due to the iterative approach involved in the process, this method has the potential to enhance the research design in different phases such as data collection, data analysis and theorizing the research concept through constructing validity. "Validity" in interpretivist research is a debated attribute. The GT method corresponds with the strategies to maintain validity in research. Easterby-Smith *et al.* (2002, p54) said 'refutability, constant comparison, comprehensive data treatment and tabulation' are components in GT. Thus, 'theory that was derived from data, systematically gathered and analysed through the research process. In this method, data collection, analysis and eventual theory stand in close relationship to one another' (Strauss and Corbin, 1998 p12).

However, GT perspective was not considered as appropriate for this study because: (1) The researcher's preunderstanding of the subject area due to previous experience leads to assumptions thus it can influence the data coding process which consequently has an adverse effect on theory building from data. (2) The fact that literature review was started at the beginning of the research process can lead to a similar effect. (3) Hodkinson (2008, p92) criticised grounded theory because of its over-prescriptive nature of limited explanatory power. Coding can eradicate the 'richness and depth' of qualitative data, theory saturation is an unclear concept in 'practical research situation' and (4) more importantly similar to Gummesson (2003); 'whether or not they [researchers] conduct a formal literature review and develop explicit hypotheses at the beginning of a project, researchers always will hold values, assumptions and biases and these always will shape their research' (Hodkinson, 2008 p92).

### 2.3.2 Narrative Analysis perspective

An investigation into NA showed its ability to preserve the meaning and significance of a respondent's story. Riessman (1993, p70) said 'narrative analysis allows for systematic study of personal experience and meaning: how events have been constructed by active subjects'. Czarniawska (1998, p2) described a set of events 'do not make much sense. For them to become a narrative, they require a *plot,* that is, some way to bring them into a meaningful whole'. Therefore, the researcher creates the plot based on an assumed point of view to tell the story. Also from the same story different narratives can be constructed. Therefore, the researcher's preunderstanding of the subject area can create biases towards certain features of a narrative during its formation from a transcript and will lead to a situation where important parts of data may not appear in narrative and hence may not be subjected to analysis.

The NA is also subjective in terms of the interviewee's own account of the subject interviewed, the interviewee's position in an organisation and other contextual details related to organisation such as productivity, relationships and performance. Therefore, construction of narrative from an interview transcript and its analysis will be subjected to the researcher's preunderstanding and the developing understanding of the inquiry, own values and beliefs, in addition to nuances of speech, what cannot be spoken, nature and locality where the conversation has taken place. Lemke (n.d.) described the problematic nature of original data and the transcription created from it. In line with the above Riessman (1993, p70) said 'there is tension in narrative studies between generalisation, on one hand, and the "unpacking" of speech and close attention to narrative form on the other'. By evaluating the above factors, NA was not considered an appropriate method for data analysis in this study. Thus, '[n]arrative analysis is one approach, not a panacea, suitable for some research situations but not others' (Riessman, 1993 p70).

### 2.3.3 Ethnomethodological perspective

Alfred Schűtz's work on "consciousness" of people and their social processes was further developed by Harold Garfinkel to create ethnomethodology (Benton and Craib, 2001 p84). It is carried out in a field with emergent properties (Silverman, 2000 p197) and

analysis is based on talk and action from a more formal perspective (Flick, 2007 p20). Conceptually, this method has the potential to derive suitable data and findings for this inquiry.

However, its suitability was not seen as a viable option due to practical reasons such as availability of resources, access to "field" data, diversity in construction projects which leads to difficulty in comparisons, ethical issues and the researcher's lack of training on linguistic analysis.

### 2.3.4 Hermeneutic perspective

The aim of this research is not to build conceptual theory, but to recognize the way in which different issues perceived as being important by senior managers in companies interact to create BP. Thus, this inquiry expects to develop an understanding of the concept BP based on empirical data obtained from the senior managers with the researcher's interpretation based on contextual data.

Bryman (2004, p394) wrote that '[t]he central idea behind hermeneutics is that the analyst of a text must seek to bring out the meanings of a text from the perspective of its author. This will entail attention to the social and historical context within which the text was produced.' Kvale (2007, p109) described hermeneutics as 'the meaning of a text is established through a process in which the meanings of the separate passages are determined by the global meaning of the text as it is anticipated. Re-reading of the single passages again change the global meaning of the text, which again alters the meaning of the single passages, and so on.' This is known as 'hermeneutical cycle' (Kvale, 2007 p109) and as never-ending 'hermeneutical spiral' (Gummesson, 2000 p70).

This approach has its roots in Gadamer's notion of history is primary and individual is secondary (Bentan and Craib, 2001 p104). Furthermore, 'Gadamer is a critic of all conventional notions of objectivity, insisting that knowledge is not a product of coming to understand the action of the individual (*ã la* Weber) but of achieving an understanding of the movement of history, and history is the development of common aim; we can only

understand a text when we make ourselves part of that common aim out of which it emerged' (Bentan and Craib, 2001 p103). This goes a step further from the phenomenological philosophy adopted to place this research in the interpretivist epistemology. Phenomenological approach is based on understanding the respondent's view in research whereas hermeneutical approach is based upon the researcher's interpretation given to the respondent's view together with contextual data and the researcher's own preunderstanding and understanding of the situation.

From a philosophical stance Kvale (2007, p20) distinguished between phenomenology and hermeneutics as 'phenomenological philosophy...focuses on the life world, with openness to the experiences of the subjects; there is a primacy of precise description, *attempts to bracket foreknowledge,* and a search for invariant essential meanings in the descriptions. In the hermeneutical tradition interpretation of the meaning of text is the central endeavour. The concepts of conversation and text are essential; there is an emphasis on the multiplicity of meanings in a text, and on the interpreter's foreknowledge of the text's subject matter' [emphasis added]. This is similar to Gummesson's explanation on connectivity between phenomenology and hermeneutics approach (section 2.2.1).

Furthermore, Benton and Craig (2001, p104) described the paradoxical process of understanding which was known as 'hermeneutic circle' and concluded that 'understanding is inevitably historical'. Therefore, 'we cannot know the part without understanding the whole of which it is a part, and at the same time we cannot understand the whole without understanding the parts that make it up' (Benton and Craig, 2001 p104). This concept ideally matches with the theoretical perspective taken in this inquiry as explained in Chapter 1, section 1.7.

Therefore, the hermeneutical perspective fits well with this research inquiry, which investigated the complex nature of the construction industry as explained in Chapter 1, section 1.2. It is further compatible with a wider participation of different fields of specialisms within a construction company as explained in Chapter 3, section 3.5.1. Thus,

this perspective had the potential to lead this study to uncover a common understanding of how senior managers perceived and created BP.

Although this approach is presented as an infinite method using hermeneutic cycle and spiral, once the analysis reaches a 'sensible coherent meaning' Kvale (2007, p109) in terms of the prevailing research inquiry; the process can be stopped at the discretion of the researcher. Therefore, the researcher's capabilities on preunderstanding play an important role. The formulation of new research questions in the same area can lead to further investigations using the previous data as the basis for preunderstanding. This process was identified in notable researchers work. The following sections 2.4 and 2.5 will discuss the research methods adopted within the chosen interpretivist epistemology and hermeneutic perspective to conduct this inquiry.

**2.4 Data generation**

Gummesson (2000, p14) considered access to research data as 'opportunities available to find empirical data (real-world data) and information'. Generally, researchers cannot gain access to all data and all information they plan to access. Access to required data can be obstructed due to several reasons such as (1) sensitivity of the research topic, (2) complexity of the research topic, (3) researcher's preunderstanding of the area being investigated, (4) researcher's ability to find appropriate informants for the area researching. Gummesson (2000, p32) described informants as 'those who can provide valuable information and smooth the way to others' and (5) obstruction to data from gatekeepers in the practice; Gummesson (2000, p32) described gatekeepers as 'those who can open or close the gate for the researcher/consultant'.

There are different methods available to access data. All consider that the empirical data is quantitative or qualitative. The relationship between data and the chosen research epistemology and perspective has not been discussed much. However, this research identified that the chosen research epistemology and perspective both have a significant impact on the selection of method adopted to access required data. In this inquiry the selection of the hermeneutic research perspective is partly based on the use of qualitative

interview method to access data (section 2.3). Furthermore, Kvale (1998, p38) confirmed the compatibility of hermeneutic research perspective and qualitative interview method to access data.

### 2.4.1 Access to data

The qualitative interview method employed to access data is a popular method (Bryman, 2004 p319), is flexible, produces in-depth and in-detail data, data based on informants' priorities, opinions and ideas (Denscombe, 2007 p202). Kvale (2007, p7) equated it to 'a construction site for knowledge'. Furthermore, Kvale said that a qualitative interview 'attempts to understand the world from the subjects' points of view, to unfold the meaning of peoples' experiences, to uncover their lived world prior to scientific explanations' (2007, pxvi). Therefore, it is a powerful method of producing knowledge of the human situation (Kvale, 2007 p8).

However, conducting an interview was not easy. It required the researcher to gain a thorough understanding of ontological, epistemological and methodological concepts of the area to be researched prior to conducting a qualitative interview. Obvious limitations experienced were that the researcher lacked control over the data generation process and as a result overloaded with data. However, an experienced researcher should be able to control this process.

There are different types of qualitative interviews; an in-depth, semi-structured and one-to-one interviewing method was selected for this research. Kvale (2007, p8) defined semi-structured interview as 'an interview with the purpose of obtaining description of the life world of the interviewee with respect to interpreting the meaning of the described phenomena'. An interview appeared to be a conversation between the interviewer and the interviewee. Nevertheless, Denscombe (2007, p173) described the difference between the interview and conversation as 'interviews involve a set of assumptions and understandings about the situation which are not normally associated with a causal conversation'. Kvale (2007, p7) said that an interview is a 'professional interaction which goes beyond the spontaneous exchange of views as in everyday conversation'.

Therefore, an in-depth, semi-structured interview needs to be carefully designed and conducted. Although it was designed as a set of open ended questions, there is space for divergence or probing during the interview. Therefore, the interviewer's skills and preunderstanding of the area of research inquiry are important to explore and capture all relevant information within the inquiry. On a similar note the interviewees' preunderstanding and experience of the subject are also important to developing an appropriate understanding of the research inquiry. If those conditions are satisfied, this method has the potential to demonstrate new insights.

Additionally contextual and other related information collected would be very useful for providing the base for logical analysis with hermeneutics approach chosen for this research. The reasons for the above selection can be explained as: firstly, the existing literature suggested that a large number of events and human participation are related to BP of a company in the fragmented construction industry.

Secondly, there was a danger that due to the broad nature of the research topic an interviewee can easily spend lot of time covering just one point. Therefore, in this case the use of a semi-structured approach helped the interviewer/researcher to guide the interviewee to get more information and the interviewee can be given the freedom to move from one topic to another.

Thirdly, it facilitated the free flow of the conversation without any interruption using probing questions. Easterby-Smith *et al.* (2002, p86) described how this method can be used to investigate motives and feelings through follow up questions and also a response in an interview can be developed and clarified, which cannot be done by using a structured questionnaire. Therefore it is easy to clear doubts through follow up questions and allows the researcher to get close to the phenomenon (Bell, 2005 p22).

Fourthly, flexibility of this method harmonized well with organisational data gathering through perceptions of individuals, thus it had the potential to lead to cues for data analysis and conceptualisation (Strauss and Corbin, 1998 p23).

Furthermore, the hermeneutics approach adopted here to access data using interviews 'is concerned, first and foremost with human experience' (Denscombe, 2007 p77) therefore, concentrated 'its efforts on getting a clear picture of the 'things in themselves'– the things as directly experienced by people' (Denscombe, 2007 p77). However, that experience is in respect to a position they hold in a company which is a recognised feature in OB (Fincham and Rhodes, 2005 pp7-9). Therefore, the chosen respondents' capability to provide data for this inquiry is expected to derive from personal and organisational perspectives. This feature had been considered very useful and expected to lead the way for the researcher to produce clear argumentative interpretations of how senior managers perceived and created BP in a company.

Thus, conceptually, the use of in-depth, semi-structured interviewing method is expected to generate a more accurate and clearer picture of interviewees' perceptions about the research concept investigated. Then empirically, it is expected to help the researcher to understand and interpret the depth and detail of an activity in question supported by contextual data and preunderstanding of the researcher; in this case how interviewees have perceived and created BP in companies which are situated in a complex social setting. Therefore, it can be concluded that, this research sought to understand the complex social phenomena in perceptions of interviewees' BP through in-depth, semi-structured interviews. It is the most appropriate method which is capable of providing unique access to the interviewees' world and to generate findings through hermeneutic perspective within the interpretivist research epistemology. In the subsequent sections, the approach taken for data collection for this inquiry will be discussed in detail.

#### 2.4.1.1 Access to data in stage-one using the EFQM framework

In stage-one of this study, the researcher accessed the real world data using the five enablers of the well-established European Foundation of Quality Management (EFQM)

framework. A detailed explanation of the EFQM framework is provided in Appendix 2. Figure 2.2 below summarises this approach to stage-one data collection.

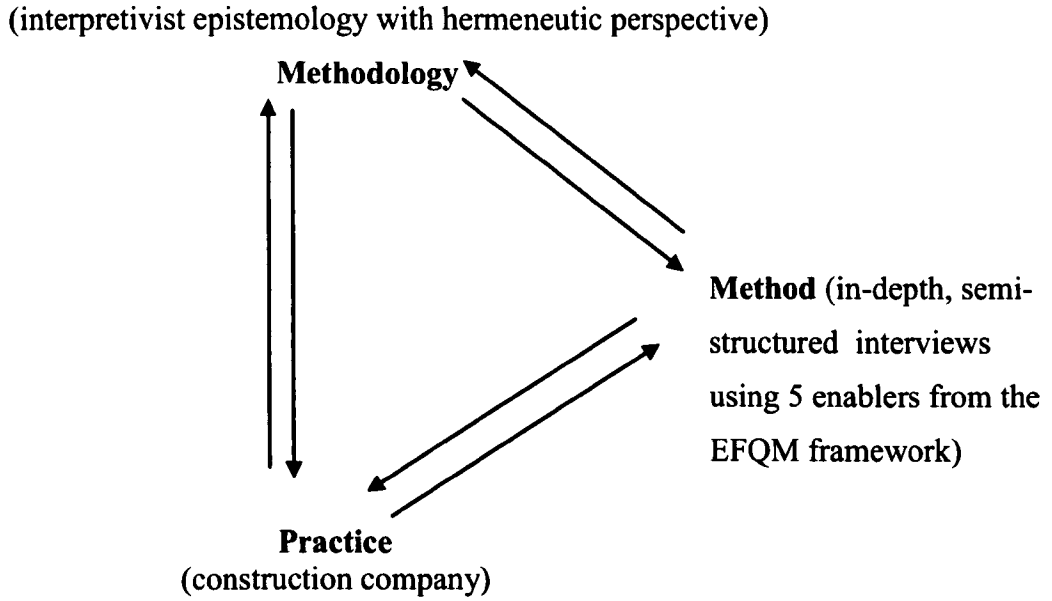



Figure 2.2 – Schematic diagram for stage-one data collection

It was decided to use the five enablers from the EFQM framework as a conceptual tool to access data and also to introduce a meaningful relationship to methodology at both conceptual and practice levels. The premise to select a tool to access data lies within Gummesson's challenges to research where he described '[a]ccess refers to the ability to get close to the object of study, to really be able to find out what is happening' (Gummesson, 2000 p25). Therefore to enhance the access for required data, the existing theoretical EFQM framework was used to structure the questions rather than just creating a set of random questions.

#### 2.4.1.2 Reasons to employ the EFQM framework

On the one hand, EFQM was well documented and discussed at academic level and can be regarded as a theoretical framework which can analyse a company's approaches and even present solutions to improving a company's BP. On the other hand, the EFQM framework has meaning at the practice level as it is a tool in use and is reported in

business experience. It was surmised that the respondents would be aware of EFQM and so could present their thinking about their business through it. It was also expected that the disparity between academic language and practitioner language issue would thus be solved. Thus it should provide a basis for practitioners to talk through their own language and enable the researcher to probe and collect sufficient information; in a manner related to both conceptual and empirical levels. It covers all aspects of operations in an organisation with a direct relationship to results which made probing less traumatic. It also covers: the relationship between leadership and BP; how non-financial BP is perceived by directors and how it is translated in a company. It made the data generation process less complex by providing access to data and also capable of uncovering data based on OB discipline with a leadership approach.

The adequacy of this framework as the tool to access data can be further explained as: firstly, those five enablers logically cover all aspects of operations in an organisation with a direct relationship to results (Appendix 2). It further covers the relationship between leadership and BP; an assumption that the researcher made in section 2.4.2 when deciding on the type of interviewees to investigate the concept of BP.

Secondly, in reality by using such a model it will be easy to access and uncover data which is based on OB. Furthermore, Bou-Llusar *et al.* (2003) said that the EFQM model is an appropriate tool to investigate into organisations and 'other researchers have used this model for organisation analysis'.

Thirdly, this model is linked with BP; Bou-Llusar *et al.* (2003), Leonard and McAdam (2002) and McCabe (2001, p149) identified that the business initiative process exists together with total quality management approach in this model which is used to benchmark the quality of European organisations.

Fourthly, the flexibility of the use of EFQM model can be considered favourably as; it does not specify any specific management control system to be adopted upon use of this model. Dahlgaard-Park and Dahlgaard (2005) established that most of the elements of six

management control approaches (bureaucratic and mechanic view, cybernetic view, agency view, human resources view, contingency view and cultural view) are incorporated in the EFQM model.

Fifthly, the EFQM model relates well to resources and capabilities available in an organisation, thus, future improvement can be planned accordingly 'tracks down the main resources and capabilities of organisation so that we can identify what part of business structure hosts the essential resources or capabilities that generate competitive advantages' (Ruiz-Carrillo and Ferdinandez-Oritz, 2005).

In summary; this framework can be used for evaluation of a construction company, it can be integrated with a company's management approach irrespective of its type and can also be used effectively to identify areas to improve and monitor BP of an organisation. Thus, the fundamental concepts of this model fit well with the requirements of this trandisciplinary study; to investigate how BP is created through perceptions of senior managers and to analyse data with a view to OB discipline.

#### 2.4.1.3 Design of interview guide for stage-one

Bryman (2004, p321) described the interview guide as a 'list of questions or fairly specific topics to be covered'. In this research, the interview guide used was a set of questions. However, not all questions were posed for interviewees during the interview; probing was conducted to match the prevailing circumstances of a company or the previous answers. The interview guide was intentionally made fairly broad to capture different views from the respondents. It is one reason for using the five enablers from the EFQM framework as they cover everything pertaining to BP of a company as explained in Chapter 3, section 3.5.

The stage-one interview questions were designed to collect required data in three sub sections and adopted the funnelling technique by setting questions from general to specific. It consisted of carefully worded questions. Section A questions were based on company structure, strategy and involvement of people in those areas. Section B

questions were based on business development/improvement methods and involvement of people in that area of the company. Section C questions were framed using the five enablers from the EFQM framework where the intention was to collect data on BP within their companies. Refer to Appendix 1.3 for stage-one interview questions.

#### 2.4.1.4 Access to data in stage-two

The data from stage-one interviews confirmed some of the existing research as discussed in Chapter 3, section 3.5.2, into the disparity between construction company and construction project. It also confirmed the suitability and efficacy of the interpretivist epistemology and hermeneutic perspective taken in this research. The complexity in BP was noted from the stage-one interviews. Therefore, discovery of new insights from stage-one interview data and subsequent analysis led the way to conducting these stage-two interviews with a view to clarify different issues, considered important by senior managers to create BP.

However, it was identified that, none of the companies used the EFQM framework in their operations but all interviewees agreed, if they acted in that way it would be easy to achieve BP. The explanations received for section C, stage-one questions were broad but general. Thus, it was identified that the use of a framework as a tool to access data has a tendency to limit data which might be more specific to their companies and useful for analysis. For example, the EFQM framework has a bureaucratic nature which favours administrative managers but not those company/project leaders who are found in construction. Dahlgaard-Park and Dahlgaard (2005) criticised the EFQM framework as too simple to handle 'the complexity with its uncertainty and unpredictability in real world'. However, the success of data collection from stage-one confirmed that an in-depth, semi-structured interview approach was suitable for undertaking stage-two inquiry which is based on clarifications of stage-one data.

It was identified that the same theoretical position, systems theory was informed by stage-one interview data, the majority of literature reviewed and the hermeneutics perspective adopted for this research. Therefore, it was decided to adopt systems theory as the theoretical orientation for design of stage-two interview guide in this inquiry.

#### 2.4.1.5 Design of interview guide for stage-two

It was decided to collect stage-two interview data using in-depth semi-structured interviews due to its established success. Furthermore, it was decided not to use any framework as a tool to access data due to the drawbacks identified above. To maintain integrity of this study, clarification on previous data was sought from the same companies and the senior managers participated in the stage-one of this research. To obtain more useful clarifications on data new participants from the same companies were approached. The previous interview transcripts were available for verification and also the researcher summarised what they have described previously - how they have perceived BP in their respective companies. This served a dual purpose, firstly; as a mechanism to validate the research findings so far. If there were any deviations from the previous stance then such reasons were discussed. Secondly, as a mechanism to handle the research interview more effectively, more specifically to their companies by probing and stimulating their interpretations and to obtain thoughtful answers and examples.

Stage-two questions (Appendix 1.4) employed a systems theory perspective. The questions were so designed by enquiring into BP of a company through business development as a company level process and eventually investigating into contributing factors including project performance. First two questions addressed the issues on transfer of the business idea from company to project level in terms of decision to do a project in a certain way, who will be doing it and what is expected out of it. The next two questions were based on the links between business development and the project performance. Business improvement is a useful criterion which interviewees described; as a connection between business development and project performance in a company without much clarity in stage-one. Thus, the last three questions were framed to achieve more clarification on relationship between BP, business development, project performance and business improvement.

Although the research design was that these in-depth interview questions would be in the same format, due to the uniqueness in construction companies' practices already

identified, the interview questions needed to be relate to the individual circumstances of a company. Therefore, these questions (Appendix 1.4) were used as a guide and topped up with specific company scenario (section 2.4.2.1) for further investigations. Finally, these questions were designed to capture senior managers' perceptions on mechanisms they used and processes involved in transfer of ideas from higher level to a lower level of a company hierarchy.

#### 2.4.1.6 Secondary data

In addition to the above two staged interviews; secondary data was collected. They are - the researcher's own notes during interviews which consist of some of the facial expressions and body language, details of the company and current projects (Appendix 1.2), brochures, company meeting agendas (board of directors and management) and company procedures for some of the companies as all interviewees were not willing to share those details. Such data was collected to support, clarify, contrast and compare the primary interview data during data analysis.

The following section describes the method adopted to select the interviewees and a brief introduction to them which enhanced the above mentioned characteristics of this in-depth, semi-structured interview method.

### 2.4.2 Selection of interviewees

This study was designed to enquire into BP of medium-sized companies in the West Midlands region due to the reasons explained in Chapter 1, section 1.3. It is expected that this issue of creating BP is a function of senior management rather than middle and junior managers. Thus, senior managers in companies were selected as interviewees in this inquiry. This assumption is compatible with strategic management in construction that 'executive level individuals who were responsible for organization-level concerns' (Chinowsky and Meredith, 2000).

The logic adopted here is to collect data from medium-sized construction companies with a purposive manner irrespective of targeting a specific number of interviews. When

interviews are used to access data, '[s]ampling in most cases is purposeful: random or formal sampling is rather the exception' (Flick, 2007 p80). Therefore, the researcher's networking through professional bodies, personal contacts of staff members at the School of Property, Construction and Planning, Birmingham City University and internet facilities was used to identify a purposive sample. Denscombe (2007, p17) described the advantages of a purposive sample as 'it allows the researcher to home in on people or events which there are good grounds for believing will be critical for the research'. Therefore, such a sample is considered as 'economical', 'informative' and 'illuminate the research question at hand' (Denscombe, 2007 p17).

It was also noted that '[t]here is a strong tendency for qualitative research to be relatively focused in terms of the scope of the study and to involve relatively few people or situations' (Denscombe, 2007 p249). Since this research focused on interviewing senior managers of their perceptions on BP and management idea transfer there was a requirement to approach people who would be able to provide such data through their past and current experience and also people who have power in a decision-making capacity in construction companies. Therefore, 12 construction companies satisfying the above criteria within the West Midlands region were approached with a brief introduction to this research inquiry which appears in Appendix 1.1, and 9 companies agreed to participate.

Stage-one interview data was generated through 11 interviews conducted with company directors, chairmen and senior managers in 9 companies. However due to transcription difficulties one interview was discarded from a company which had two representatives. Similarly for stage-two interviews; the same companies were approached for the reasons explained in section 2.4.1.5 above. This study became more focused on identifying "transfer of BP idea within a company" to align project/s with the company's business strategy as a result of the data emerged from stage-one interviews. Thus, relevant information and further clarifications were sought from previous interviewees and new senior managers in stage-two interviews. Therefore, stage-two interview data was generated through 7 interviews conducted with group/company directors, chairmen and

senior managers in 5 companies. Out of the 9 companies participating in stage-one, one company declined to participate in stage-two of this study and 3 companies were forced into administration prior to the stage-two data collection.

### 2.4.2.1 An insight to the companies and interviewees

- **Company 'A'**

Company 'A' is a chartered building company, accredited by the NHBC[3]. The structure consists of a traditional hierarchy with two owners/directors, one contracts manager and site managers. In the latter part of 2007 they were engaged on 10 -12 building projects from new builds to refurbishments. However, in July 2008 their work was affected due to economic downturn in the UK thus engaged in maintenance work to maintain the company. The highly informal structure and the change in business context demonstrated that those factors have some effect on productivity.

This business was built upon convention and so they admitted to not being very adventurous. This has served them well by allowing them to specialize, however new market gaps cannot be catered for and so they are losing market share. The company's future is uncertain as both directors are reaching retirement age and they are doubtful how to take the company forward.

One director and the contracts manager participated in both stages of this research inquiry. Stage-one interviews took place in October/November 2007 and stage-two interviews in June/July 2008. All recorded interviews were carried out in interviewees' office premises.

**Interviewee A1**– One of the founding directors of the company who is in his early 60s. He was a trained quantity surveyor and became a builder in the late 1960s. He is the managing director and oversees the control of projects, contracts, finance and IT services in the company. He has a bubbly personality with hands-on experience in construction, but did not know how to delegate his work.

[3] NHBC refers to National House Building Contractor

**Interviewee A2**– Working as the contracts manager and his work involves all aspects in construction processes including management of such processes. He is in his 30s, with hands-on experience in diverse type of construction work. His working relationship with his directors is very informal and they do not work within a formal structure, instead they manage all processes by direct managerial contact approach.

- **Company 'B'**

This company has developed over the last five years under the directorship of the two current business partners. One partner takes care of the company's IT and commercial requirements while the other deals with the production requirements. This company operates formally with an operating board of four members with a project management perspective and they make use of a standard hierarchy which is of great advantage to communication and productivity.

The business is seen as a partnership with themselves and their major clients (national contractors) with whom they have a good business relationship. Their intention is to build a reputation as a regional ground works company without acquiring any and every job. Thus, they invest and engage in health and safety programmes to get more recognition from their clients. The only admitted failing of the business is that they cannot handle long-term contracts because of their management fallibility. Consequently, they have resorted to short-term (weeks to months) contracts and avoid long-term (1-2 years) contracts.

One director participated in the stage-one interviews in November 2007 and declined the participation in stage-two. The recorded stage-one interview was carried out in interviewee's office premises.

**Interviewee B1**

Working as the director in IT and commercial since 2005 and is of middle age, a polite gentleman with a marketing background. He values relationships and right people at the

right job because they experienced problems due to the contracts manager's management capabilities.

- **Company 'C'**

This is a 154 year old company in 2007 and was operating as the contractor in a group of companies which has two companies. It is a founder member of chartered building company established by the CIOB[4] also awarded IIP[5] for the past four years. This company has built a very good reputation in the region for high quality workmanship. It engages with heritage work and they have a need to accommodate new markets. The company operates on a fairly standard hierarchy and runs the business traditionally through estimating and tendering to achieve their targeted turnover.

In early 2007 the company was re-structured, promoted 7 loyal employees to associate directors and changed its approach to work from a main contractor to large scale sub-contractor with an established supply chain. This company is concerned with quality of work and value for money; although the majority of their business originates from traditional tendering process.

One director participated in the stage-one interview in June 2007. The recorded interview was carried out in the researcher's office premises. The company was forced into administration in early 2008.

**Interviewee C1**

He is an influential person in the construction industry; holding the West Midlands' branch chairmanship of an international professional building organisation. He works as the contracts director and is of middle age. He values networking with the construction community and uses employees to build a marketing strategy. He is full of ideas about how "it should be done" in management in construction and tends to see things in different ways.

[4] CIOB refers to Chartered Institute of Building
[5] IIP refers to Investors In People

- **Company 'D'**

This company has 41 years of contracting experience in 2008 and operating as the construction company in a group of companies which has diverse interest. Company D operates with an objective driven business strategy on specific work and, 'care, quality and innovation' is their business ethos. It carries out business with a proactive approach engendering teamwork. Thus, this company prefers to work in close partnership with clients, designers and supply chain members to produce high quality buildings at an economical price ensuring on time delivery. They promote best practice in construction through supply chain management, concept of partnering and transparency of costs.

The non-executive chairman of the company participated in the stage-one interviews in June 2007. The recorded interview was carried out in the interviewee's office premises. This company was forced into administration in July 2008

**Interviewee D1**

The interviewee is an influential and affluent person with a vast knowledge of the construction industry and holds chairmanships in three different construction companies in addition to leading two professional organisations. He has worked from site manager to chief executive/managing director in large contracting companies. He perceived that inherent problems are due the training in the industry. He believed that a new way of thinking is required for construction to perform better but not accepting importing ideas from other industries. Thus he pioneers modern methods in construction and skills.

- **Company 'E'**

Company E is the construction company in a group of companies whose major shareholders are family members. This business operates using a standard structure allowing for a formal working network which aids productivity and communication. This is a diversified company and caters for different types of construction and prefers to engage in niche markets. The company does not take part in government partnering

frameworks instead they take part in competitive bidding through OJEU[6]. Company E wants to improve its outlook as a reputable regional builder but not a national builder.

Due to its size, growth in profits has become the major objective. In its favour they have a clear business plan which helps in the management of the organisation. The business also makes use of technologies and systems (process maps) to improve the organisational effectiveness. Furthermore, they have a modern outlook on the market and thus the preference for niche contracts. Another advantage of this business is the close links between colleagues who were working together for some time and this environment can be seen as very productive. The business has a disadvantage because of its average customer satisfaction; it recognises its importance, however, admits that it could be given more preference in its organisation.

One director participated in the stage-one interview in November 2007. The recorded interview was carried out in the interviewee's office premises. This company was forced into administration in November 2008.

**Interviewee E1**– He is the director for marketing and quality assurance and is a middle aged person with a builder's background who understands the need for the company's future direction. He recognizes from time to time they have to change their strategy in business to suit opportunities and capabilities; especially the type of work to be engaged with. However, he does not want to get just any job from anywhere as they are driven by an annual business plan to satisfy overall business strategy of the company.

- **Company 'F'**

This is a diverse, regional and a family company in 2007. One of the most obvious advantages is its family background which was preserved, thus the internal business affairs are very well managed. This company was operating with a standard structure allowing for a formal working network which aids productivity and communication. Due to its size, profits are not the major objective; however, sustainable growth is.

[6] OJEU refers to Official Journal of European Union, a tendering process used by European community Directives in public sector procurements when the value exceeds a predetermined annual threshold.

This business works on the philosophy of 'identify it early and action early then you minimize any cost'. This company merged with one of the larger contractors in the UK in September 2008 as their regional builder. Since then, they operate with a semi-autonomous structure. The reason for the merger was that the present directors did not want to add another layer of management to the company by distancing themselves from project activities due to its growth.

The same director participated in interviews in both stages in November 2007 and December 2008. All recorded interviews were carried out in their office premises.

**Interviewee F1** – He was the director for design and build before the merger and after the merger his position became director- design, build and estimates. He is of middle age and has worked in the company for 30 years. He is quite knowledgeable about all aspects of current practices in the construction industry. He prefers to operate through good people relationships (not partnering and supply chain) which they have managed to capitalise on to date. Thus the interviewee highlighted that people are an important resource in the construction industry more than in any other industry.

- **Company 'G'**

The business is very specific about its type of work and more than 95% of their turnover is delivered through private and public partnering contracts. This allows them the foresight for growth and better project performance. Due to the nature of specific business they operate an around the clock after care service for clients/customers. Furthermore, their project delivery is focused on client/customer satisfaction and thus employed people with customer facing background at project level. This challenges the traditional one-off project delivery approach by project managers in construction. Therefore, this company strongly demonstrates the company's long-term proactive business strategy.

This company promotes long-term relationships based on team working and collaborative working between its partnering clients and sub-contractors. Furthermore it promotes the use of local sub-contractors as a company commitment to develop sustainable communities. Trust, honesty and openness are considered as company ethos.

The same interviewee participated in both stages, in November 2007 and January 2009. Stage-one recorded interview was carried out in interviewee's office premises and stage-two recorded interview in the researcher's office premises.

**Interviewee G1**

The interviewee is the chairman of the company and of middle age. He is broadly engaged in the industry with vast professional experience ranging from project level up to chairman level in different organisations. He believes that construction as a business needs to consider the leadership and differentiation of the company in its market as useful features for its growth. He strongly believes that the industry is changing from business-business to business-customer and is better for the industry.

- **Company 'H'**

Group H is a key regional contractor with 140 years of experience in diverse work in 2009. 'Delivering the promise' is the group ethos and a pioneer of partnering in construction. They have a long-term business strategy based on 20% annual growth target with specific annual milestones for different divisions. Company H is their housing division which specialises in building all types of houses.

Company H is engaged in long-term partnering with local councils and housing associations and delivers projects through supply chain relationships and further enters into sub-contracting when they require specific skills for certain projects. All these relationships allow them breadth and the ability to negotiate/tender for projects that they do not necessarily have the capabilities to complete themselves. This might increase costs to the business but increases the output as a whole.

The same director (H1) participated in both stages, in November 2007 and December 2008. All recorded interviews were carried out in interviewee's office premises. Interviewee H2 participated in the stage-two in November 2008 and the recorded interview was carried out in the researcher's office premises.

**Interviewee H1**

He is the director in housing and regeneration and is a middle aged person with a lively personality. He exemplified traditional construction persona who has entered the industry at a young age and learned and studied while being working at the industry. He has worked at quite a broad spectrum of companies and is driven by good results/production all the time. He uses trust and control graph to manage his subordinates.

**Interviewee H2**

He is the director for business improvement at group H. He is a young gentleman with an extensive academic and professional knowledge in business aspects. He is heavily into lean principles in construction and works with all different divisions in the group. He promotes collaborative work between partnering clients/customers and supply chain members to deliver added value to group H, its clientele and the product.

- **Company 'J'**

This is the construction company in a group of companies and forms the core of the group business. 'Value for money and quality driven service' is their ethos. The type of work is well spread across a range of sectors and they cater for this diversification, rather than specialisation, in fact embedded into the company while it was in infancy as a family business in 1969. The advantages are that they are not severely affected if one sector of the market goes into recession and further their customers feel that all of their different projects can be delivered though this one single company.

Company J adds value to the business by giving preference to attract and retain highest calibre employees. Further they pursue initiatives in supporting local people and communities by engaging small-scale local contractors into their supply chain. Their

dynamic approach to business has led them into long-term partnering with public and private sector clients.

Interviewee J1 participated in the stage-one in November 2007 and the recorded interview was carried out in the researcher's office premises. Interviewee J2 participated in the stage-two in February 2009 and the recorded interview was carried out in the interviewee's office premises.

**Interviewee J1**

In 2007 he was a contracts manager and in 2008 was promoted as the construction manager in company J. He started as an apprentice in brickwork and developed his career in construction through site management up to construction manager. He is of middle age with more than 35 years of experience in construction practice. He values relationships in construction and believed that existing clients as a strength to a company's future business development.

**Interviewee J2**

He is the business development director in group J, a middle age gentleman with a sound knowledge in construction. His construction theories are based on change in construction market, thus he prefers multi sectorial work and niche contracts.

## 2.5 Data analysis

Data analysis is a major component which needs to follow the previous steps in a research design to enhance its value as a whole. More especially it should bring out the character and essence of data collected. These different methods in research methodology are inter-woven to produce logically acceptable research findings. Therefore, a conscientious researcher has to meaningfully select the most appropriate data analysis method. The method to adopt stems from the research epistemology. The chosen research perspective acts as a bridge to join the method of data collection with the method of data analysis in a research inquiry.

This inquiry was located in the interpretivist epistemology with hermeneutic perspective of research for previously explained reasons in sections 2.2.3 and 2.3.4. Therefore, this inquiry used interview method to collect data. Gibbs (2007, p3) said 'the most common form of qualitative data used in analysis is text'. He further described that qualitative analysis consist of two activities. First it develops 'an awareness of the kind of data that can be examined and how they can be described and explained and second, a number of practical activities that assist with the kinds of data and the large amounts of it that need to be examined' (Gibbs, 2007 p3). In Gibbs' explanation; the first activity covers the conceptual component and the second covers the empirical component involved in data analysis. Thus, the selection of an appropriate data analysis method which is compatible with the research epistemology and perspective is the conceptual component. Then the effective handling of such data including its preparation for analysis and finally doing the analysis within the previously established criteria covers the empirical component. Both components are of equal significance to producing good quality, ethical and logical research findings.

### 2.5.1 Data analysis method

In common with any other research method in a methodology, data analysis methods have limits and de-limits when used with different research areas. After a thorough analysis of different methods available for data analysis in Bryman (2004, pp364-412) and Kvale (2007, p104) it was decided to employ a method based on interview text. The chosen method is qualitative content analysis (Bryman, 2004 p392) where analysis was conducted focusing on meaning interpretation (Kvale, 2007 p104) with hermeneutical approach (Bryman, 2004 p394; Kvale, 2007 p109). Descombe (2007, p312) described the advantages of qualitative data analysis as 'rooted in the conditions of social existence, capable of providing richness and detail to the data, reflects tolerance of ambiguity and contradictions in social reality and also could provide alternative explanations'. However, data analysis was experienced as a messy and lengthy process in this inquiry.

The reasons for selecting the qualitative content analysis might raise few questions. However, the researcher would like to emphasise that in this inquiry, oral data which

were obtained through in-depth, semi-structured interviews were transcribed to produce interview text. During that process, every attempt was taken to capture every word spoken, including pauses, for the relevant sections that were transcribed (refer to Appendix 4 for transcripts where verbatim sections appear in bold). Thus, this data analysis was primarily based on interview texts. Those interview texts were compared, contrasted and supported where possible with other texts such as the researcher's personal notes taken during the interviews and company information collected as described in section 2.1.4.6 above. Therefore, this analysis was based on a series of texts which satisfied the criteria for qualitative content analysis.

During analysis, the interview text was primarily subjected to deeper meaning interpretation and then compared and contrasted with secondary texts. This process was supported by the researcher's preunderstanding and developing understanding of the inquiry based on the same texts. Kvale (2007, p107) said in this method 'interpretation re-contextualizes the statements within broader frames of reference' however, he further said there is an element of suspicions in such interpretations. Also this method was time consuming due to the fact that the researcher needed to traverse within data several times until coherence in analysis is achieved.

This combined method, qualitative content analysis with meaning interpretation of interview text falls within the hermeneutical principles. The suitability of this approach had its roots from the early design of this research. This interpretivist research has taken a phenomenological approach (Bryman, 2004 p279; Denscombe, 2007 p76) due to the nature of the construction industry. This research dealt with construction companies' senior managers' 'perceptions of meanings, attitudes and beliefs and feelings and emotions' (Denscombe, 2007 p76) to understand how they create BP. Data was obtained through in-depth semi-structured interviews which has links to phenomenological philosophy. Those recorded interviews were transcribed to text during the data preparation stage for analysis. Then, using hermeneutics principles; senior managers' experience of creating BP was interpreted. The hermeneutics philosophy is used as an extension to the phenomenological approach because the researcher felt that bracketing

of researcher's preunderstanding and understanding was an unrealistic situation. The interpretation of the main interview text was further supported by secondary data collected (section 2.4.1.6).

### 2.5.2 Doing data analysis

This analysis employed meaning interpretation by comparing data to form themes and sub-themes (see pp129-130 and figure B1). This comparison method was selected because 'comparisons will help you understand the relationship between factors, phenomena, settings, cases and so on. With this information you may then be able to build a model of the situation that identifies causes, strategies, intervening conditions, actions and consequences' (Kvale, 2007p 58). Thus, three themes – doing business at company level, doing business at project level and doing business via the integration of project and the company – were established through re-reading all of the interview transcripts and going through data groups and following the pattern represented in the data. All interviewees followed the same pattern which was identified as company and project/s in their descriptions of BP. It was apparent that the same pattern and themes were repeated in different groups of data within a transcript. Denscombe (2007, p202) described the benefits of a theme as 'a recurrent theme in interviews indicates that the idea/issue is something shared among a wider group, and therefore the researcher can refer to it with rather more confidence than any idea/issue which stems from the words of one individual'. A constant comparison of data was carried out between data from different respondents and also with the existing literature to finalise the theme.

Then "memos" were used to understand the depth and detail of data in a theme and also to provide data about the "making of sense" of management ideas both individually and in a theme. It provided a platform for the researcher to generate ideas about interviewees' perceptions as well as theories in form of a set of personal notes to keep a track on the development of ideas for data analysis. Memos are a feature from grounded theory which facilitates deeper understanding and connections between data. Hodkinson (2008, p89) described 'whether or not you are using a full grounded theory approach, the recording of hunches, ideas and possibilities via memos should be regarded as an individual tool, in

making sense of data'. Furthermore, Denscombe (2007, p295) said 'the use of memos is generally recommended as good practice in relation to the analysis of qualitative data'. The memos in this case helped the researcher to select the most appropriate interview excerpts in line with the identified data themes and sub-themes. Thus, memos do not appear in the data analysis in Part B, where the main emphasise is given to the interview data to speak for them-selves.

This unique qualitative data analysis process was designed to enhance the hermeneutical approach in this interpretivist inquiry and the collected in-depth semi-structured interview data. It further recognised the researcher's preunderstanding and developing understanding (Gummesson, 2000 p15) of the subject under analysis. Thus, in summary, this approach recognised the value of 'life world' data (Kvale, 2007 p8) through peoples' experience and assumes it is not static. Conceptually, combining phenomenological and hermeneutical philosophies does not sound acceptable. However, in this research it was considered as a continuation process from phenomenology to hermeneutics as explained in section 2.2.1. In empirical research terms, where a research inquiry was defined previously and when the researcher focused well during the interviews to collect required information; this process was made less traumatic. Knowing "what you are looking for" could achieve coherent meaning in an analysis with less hassle.

This is not the general understanding of interpretivist research and this methodology tends to be between the interpretivist and positivist epistemologies. Interpretivist research is usually presented as an emergent study and positivist research associated with a study having a specific focus. However, Denscombe (2007 p247) described that 'in the real world of social research things do not fall neatly into the two categories' and 'in practice ... [g]ood research tends to use parts of both approaches'. Thus this methodology is deemed appropriate.

### 2.5.3 Preparation of data for analysis

It was decided to audio record in-depth interviews as a means to collect data without obstructing their natural flow and to manage them effectively. It gave the freedom for the

researcher to probe and enhance the quality of data during in-depth interviews without distracting the interviewees. Therefore, consent was sought from all interviewees to record the interviews to maintain the ethical integrity of this study. The research overview was introduced to the interviewees and permission requested to record the interviews assuring them that the interviews were not going to appear elsewhere other than for research purposes (Appendix 1.1). All interviewees granted their consent to recording the interviews based upon that assurance.

A set of draft transcripts for both sets of interviews were produced to understand the totality in interview data, to identify the pattern in data and to form the themes. Then selected parts of all interviews were accurately transcribed, considering the clarity in speech for both sets of interview data collected. However, the researcher was careful not to exclude any data which has a direct input towards the analysis. Transcribing used the basic method of listening to the recorded interviews and typing. Though it was a time consuming, complex and a tedious activity and done in several stages, the process helped the researcher to become more familiar with the data. A one hour interview needed about 10-12 hours to produce a transcript by listening and re-listening. Problems of transcribing explained by Descombe (2007, p197) were experienced as 'recorded talk is not always easy to hear, people do not always speak in nice finite sentences and intonations, emphasis and accents used in speech are hard to depict in a transcription'. Kvale (2007, p109) said that a verbatim transcript is a necessary requirement for meaning interpretation. It is also a very valuable part of the research, because 'it brings researcher close to the data' (Denscombe, 2007 p196). Due to above difficulties in transcription this research employed the verbatim text of selected sections of both sets of interviews (Appendix 4 – the verbatim text of sections of transcripts is identified in bold).

Data was grouped according to the in-depth interview questions. It was a difficult process as the interview questions were not similar in all interviews. Although there was a semi-structured approach to the interviews, it worked merely as a guide to avoid leading the interviews to unwanted areas and thus most of the follow up questions within the main interview guide were instantaneous and matched the circumstances of the interviewee's

answer to the previous question. This can be highlighted as a useful feature in interpretivist research. The above process was supported and strengthened by the preunderstanding and the developing understanding of the researcher in order to group it in similar and manageable portions. Then, data summaries were produced in tabulated manner for easy comparison of data as appear in Appendix 3. Gibbs (2007, p78) said '[a] good way to carry out... comparisons is using tables'. The use of tables is a common feature in quantitative analysis. However, Gibbs (2007, p78) said '[t]he tables used in qualitative analysis allow similar comparisons' furthermore he said, 'tables are a convenient way to display text from across the whole dataset in a way that makes systematic comparisons easier'.

Therefore, data gathered during the two-staged interviews was presented in different formats namely:

(1) brief descriptive summaries for each company investigated and interviewees participated as in section 2.4.2.1 above.

(2) tabulated comparison summaries for all companies in Appendix 3 as follows:

- Table 3.1 – Representation of companies and interviewees
- Table 3.2 – Background information of participating companies
- Table 3.3 – Interview summary - stage-one (grouped according to questions)
- Table 3.4 – Interview summary - stage-two (grouped according to questions)

(3) interview transcripts in Appendix 4.

The idea of presenting data in different formats was due to the type of bespoke analysis method espoused in this inquiry where, firstly, to make-sense of data in totality as well as in parts (Hodkinson, 2008 p89; Kvale, 2007 p58). Secondly to identify, understand and be confident of a shared pattern and ideas which is socially constructed by the majority of interviewees (Denscombe, 2007 p295). And thirdly, to establish a suitable theme and sub-themes that occurred repeatedly (Denscombe, 2007 p202).

The acquired data were compared and contrasted at different levels to produce themes for analysis. Therefore, the summaries of data presented here reflect the researcher's sense-

making and understanding process of "what interviewees said". The empirical data categories shown in tables 3.1 - 3.4 were derived from the semi-structured interview questions. These tables allowed identification of shared ideas among the interviewees in the formation of themes for data analysis.

## 2.6 Adding value to interpretivist research

### 2.6.1 Validity and reliability

Validity and reliability are heavily discussed attributes in interpretivist research. Researchers have discussed value enhancement in interpretivist research. Benton and Craig (2001, p182) defined interpretivism 'as a name given to those approaches that concentrate on the interpretive action of human actions and cultural products'. Seymour and Rooke (1995) described the interpretivist approach as 'understanding of another's point of view but not the causal understanding'. Thus, the researchers need to be very concerned about how individuals who take part in the research (social actors – individuals who are subjected to social values and norms, senior managers in this study) make sense about the subject under research in addition to what they say. Therefore, the researchers tend to reflect their own preunderstanding and understanding together with the social actors' understanding of the subject. However, Benton and Craig (2001, p175) said 'Weber's distinction between meaning and causal adequacy indicates that there is something more at work than cultural validation and coherence of explanation; the phenomomenologists begin with basic sense experience that is not produced by consciousness but is worked on by it'. However, in a complex social science research inquiry as in this case, the questions arise - how could a researcher understand another's (interviewee's) point of view without any reservations? Are they (interviewees) talking through what they are really doing or what should have been done? Is a researcher supposed to consider what they (interviewees in this case) have told as absolute truth? Is hermeneutics perspective recognising historical events and can researcher's preunderstanding and understanding find answers for these questions? This is beyond the scope of this research but identified as a useful area for future methodological research.

Rooke and Kagioglou (2007) introduced the Unique Adequacy (UA) method of requirement in interpretivist research, which can be considered as a possible method to increase validity and reliability in interpretivist research. They specified two forms; namely weak and strong forms which describe the importance of familiarity of the research setting and value judgment free research reporting respectively.

The weak form requires a conscientious understanding and knowledge 'competent' about the construction industry setting 'being able to perform relevant activities within that setting without censure from other member' (Rooke and Kagioglou, 2007). They proposed 'participant observation' as an ordinary commonsense method to acquire such competence which includes interviews and questionnaires. The strong UA requirement deals with concerns of reporting of research. Rooke and Kagioglou (2007) described 'ethnomethodological indifference' which excludes value judgments as the research practice to employ.

The ethnomethodological indifference is defined as 'a refusal to evaluate, describe or explain the activities that constitute the setting using criteria, concepts or theories that are not a part of that setting' (Rooke and Kagioglou, 2007). Seymour and Rooke (1995) described ethnomethodology which was initiated by Garfinkle in 1967 as a programme for empirical research. It can be used to enhance the study of interpretivist research as it deals with 'studying the ordinary, everyday methods used by members of society to discover, establish and communicate the facts of social life' (Seymour and Rooke, 1995). Thus, it is free from any judgements from the researcher. Rooke and Kagioglou (2007) believed that value judgements arise from the researcher as a result of non-understanding of the research setting which was described in the weak requirement. Therefore, to achieve the strong requirement a researcher must first achieve the weak requirement. Accomplishment of the weak requirement can be achieved and enhanced by the hermeneutics spiral described by Gummesson (2000, p71) where a sound preunderstanding develops an understanding and acting as the preunderstanding in the next stage of research which eventually leads to eliminating unnecessary value judgements.

A researcher must gain a deeper understanding of the social actors' perception to create an accurate account in interpretivist research. Thus the answers in this type of research which search for analysis of meaning are 'descriptive and provide a sound empirical basis rather than prescriptive' (Seymour and Rooke, 1995). To provide such descriptions, hermeneutics approach to meaning interpretation will be useful, where it 'concentrates on understanding and interpretation' Gummesson (2000, p178).

However, it demonstrates, the interpretivist approach is subjective in nature as the researcher is involved as a participant and (s)he is reflexive about the subject under research. Therefore the researcher's ontological, epistemological and methodological knowledge in interpretivist research is useful in interpreting data and also in reporting findings free from value judgements. This is a huge task and refers back to Rooke and Kagioglou's UA method of analysis as a suitable method to build-in value for this research inquiry.

### 2.6.2 Ethics in interpretivist research

Almost all professional bodies and institutions work on a set code of ethics. However, in broad discipline of research it will be difficult to establish a standard framework for ethics as different research areas expose and experience different forms of ethical issues. Any research; irrespective of its ontology, epistemology and methodology has to deal with ethical issues from the commencement of a research inquiry up to its completion stage. 'Ethical issues in designing qualitative research arise in the several steps that are addressed by design issues and in all the stages of the research process' (Flick, 2007 p 76). This section will discuss the ethical issues relevant to this interpretivist inquiry which inquired through human participants into complex social structure in construction companies and the precautions taken to maintain the integrity of this research focusing on formulation of the research questions, access to data and analysis of that data.

It was identified at the formulation of research inquiry; it should be possible to address some of the ethical issues. This is not to say that researchers should not research complex

and sensitive subject areas. Instead, researchers should be able to design the research in such a way as to inquire what the researcher wants to know but within boundaries constructed by the researcher to preserve ethical and moral standards applicable to different circumstances and participants. This research more precisely inquired into how senior managers' create BP in their companies. Although it was not aimed at inquiring into sensitive financial aspects of a company, from time to time respondents disclosed certain financial aspects due to the nature of this topic. However, the researcher managed to treat those details in strict confidentiality.

This inquiry used one-to-one interviews to access data. At the beginning of each interview the research overview was introduced to the interviewees and their permission sought to record the interviews, assuring them that confidentiality would be maintained during the whole process. During this stage, the researcher took a series of steps to conduct the interviews ethically and morally: (1) The researcher adhered to the code of relevant companies' business ethics during data gathering stages and data presenting stage in order not to disclose any information deemed to be highly confidential to individual companies. (2) Interviewees were given the option to withdraw from participation during any stage. (3) All interview material was securely stored in a password protected computer which was locked after office hours. (4) If participants are interested to learn about the research outcomes, a summary will be made available after the examination process. (5) After completing the examination all personal notes, in-depth semi-structured questionnaires, interview transcripts and any related material collected from the participants will be duly destroyed.

This research acquired data from two stages of interviews using the same companies, same interviewees and some new interviewees as explained in section 2.4.2. Therefore, during the stage-two interviews, the stage-one interview transcripts were made available for the respective interviewees for the purpose of verification of their previous interview content. However, there was no verification process carried out for stage-two interview transcripts. Ethical quality in both stages of interview data was maintained by the selection of interviewees as explained in section 2.4.2 above.

Ethical issues were considered at data analysis stage in this interpretivist research, because the method was dependent upon researcher's interpretation in producing coherent findings. However, the data presentation and data analysis were handled by the researcher to the best of her capabilities and based upon the research methods adopted by maintaining the integrity of this research. In addition, the researcher offered the option for the interviewees to be anonymous in the data presenting stage using pseudonyms for their real names and companies. It was also decided that any publications arising from this research will not identify individuals or companies without their prior consent.

## 2.7 Reflecting on the methodology

The above methodology has described one way of investigating into the given research inquiry. There are alternative approaches to investigating this topic. Therefore, the nature of the research inquiry, ontological, epistemological stance of the researcher and the available resources will guide the methodological process in the research.

The chosen method to access data, i.e. in-depth, semi-structured, one-to-one interviews, was capable of generating data in a systematic way either with the use of a tool or without. However, it was difficult to limit data during an in-depth interview. Other than the recording and transcribing difficulties, on one hand it proved to be a time consuming process to sieve through data to produce data groups at the data preparation stage. On the other hand, it helped the researcher to develop a deeper understanding about data; based on its history and the context on which the data had been built upon.

However, there is a tendency that large amounts of information could lead to contradictions in the interviewees' own statements. Consequently this led to difficulties in meaning interpretation and achieving coherence during the data analysis process employed for this research, because it was the researcher who selected the evidence to make the analysis more convincing and coherent.

Interview data could have been affected due to the location of the interview and the interactional style between the researcher and the interviewee; e.g. would they answer or converse in this way in the practice context? Thus it will limit or add to the researcher's own interpretations and assumptions which affect the value of the research during data analysis.

For this research, some of the interviewees' expressions and body languages were captured as personal notes during interviews, but it is acknowledged that all such features were not captured for all interviewees. Lemke (n.d.) said 'the process of transcription creates a new text whose relation to the original data is problematic'. He further explained that 'language in use always creates three independent kinds of social and cultural meaning - It constructs social relationships among participants and point of view; it creates verbal presentations of events, activities and relationships other than itself; it construes parts to whole within its own text and between itself and its context'. Therefore, transcribed interviews using the digital audio recording equipment were unable to capture all the above features. During the process of transcription, some of its features which might be useful for data analysis were lost as spoken and written languages are not the same. Thus, there could be a tendency to lose some of the meaning which might have been useful for data analysis in this research.

Data analysis was designed to be guided by what interviewees said that they were doing in their companies to create BP. However, there can be a disparity between what they said they were doing and what they actually do. The data analysis method adopted does not have provision to deal with this disparity. Therefore, the story presented in Part B has considered the socially constructed similar and dissimilar perceptions among the interviewees on "BP in medium-sized construction companies" represented by the pattern – company and project, and within the themes mentioned in the section 2.5.2 above.

## 2.8 Chapter summary

In summary, the chosen methodology for this research inquiry was based in the interpretivist research epistemology (Bryman, 2004 p13) which originated from phenomenological philosophy (Bryman, 2004 p13; Benton and Craib, 2001 p76) and extended to hermeneutics perspective (Gummesson, 2000 p175) . Then appropriate data was acquired through in-depth, semi-structured interview method (Kvale, 2007 p8; Bryman, 2004 p321) in two stages where stage-one data access was facilitated by the use of the five enablers of the EFQM framework, while no tool was used to structure collection of stage-two interview data. Data analysis was conducted through qualitative content analysis (Bryman, 2004 p392) by focusing on meaning interpretation of interview transcripts (Kvale, 2007 p104) following principles of hermeneutics (Kvale, 2007 p109; Bryman, 2004 p394; Gummesson, 2000 p19).

This methodology was shaped by the following ways of adding value to interpretivist research: (1) to be 'descriptive and provide a sound empirical basis rather than prescriptive' (Seymour and Rooke, 1995), (2) to generate a deeper understanding of the social actors' preunderstanding (Gummesson, 2000 p60), (3) to expose the reflexivity of the researcher about the subject and the evaluation method by UA requirement of methods as described by Rooke and Kagioglou (2007) where importance of familiarity of the research setting and value-free judgment is highlighted and (4) to make sense in organisations by realising the social structure as described by Weick (2001, p11).

Lastly, this methodology was devised to identify the way in which different issues, perceived as being important by senior managers in medium-sized construction companies, interact to construct BP. Therefore, it is expected that this identification can inform the future sustainability of these companies and suggest more effective approaches to management within the construction industry through the researcher's interpretation of BP.

# Chapter 3 – Review of literature

## 3.1 Introduction

There is a widely held view that performance in the construction industry is inadequate. Performance is a wide area thus this inquiry was chosen to investigate into business performance (BP) of medium-sized construction companies due to the reasons discussed in Chapter 1, section 1.3. Therefore this inquiry addresses the question what is known about how BP is created in a medium-sized construction company which is working at company and project levels. Then the question arises of whether companies pay less attention to the long-term fortunes of their companies than the short-term considerations of running projects. Critics (Phua, 2006; Bassioni *et al.,* 2005; Dubois & Gadde, 2002; Handa & Adas, 1996; Winch, 1989) agreed that the construction companies do not pay sufficient attention to the long-term company interest. Implicitly in these criticisms they agree that companies' main efforts are in monitoring, controlling and managing temporary organisations – projects; thus neglecting the management process of the company.

The scope of this literature review was three-fold. Firstly, the literature was reviewed with the aim of establishing how commentators treat the notion of BP. Secondly, the literature was explored to understand how BP was treated through its links in construction companies. Thirdly, a review of literature which related to different views in performance in the construction industry was carried out. This led to identification of the disparity between the company and project, which has structured this research inquiry.

Some commentators compared the construction company with some ideal model of "what a company should do to be sustainable in the long-term". The literature review suggested that this model evolves from the manufacturing industry. Therefore, the researcher argues that comparisons in literature are inappropriate and misguided. In fact, this research expects to demonstrate that construction companies do attend to the long-term interest of the company but through a much more subtle and complex process than the model derived from the literature allows us to see.

In essence, the notion implies how BP is translated in a company. However, how this translates into practice is more complicated, especially when applied to construction companies. Existing research in construction has sought to demonstrate that there is a significant disconnection between BP at the company and project levels. It was argued that the major focus of management systems has been a company's projects and that, consequently, the long-term need for sustainability of the company as a whole has received insufficient attention. Thus, the literature has identified the determinants of successful BP, but has done so on the model of conventional manufacturing organisations, underestimating and misconstruing the particular nature of construction organisation which is ineluctably project-based. The purpose of the research reported in this thesis was to remedy this tendency. It has sought to establish how construction firms in fact identify and manage BP in these particular circumstances, rather than to characterise them as a deviant case with respect to the dominant model.

The following section describes BP in a company in general and particularly related to a construction company. It then explores BP indicators and discusses the use of financial and non-financial indicators. It also covers BP frameworks and management. Section 3.3 deals with BP links in a construction company. The links discussed are strategy, marketing, relationships and project performance criteria. Finally section 3.4 describes performance in the construction industry using different perspectives to set the scene for this research. It explores the identified disparity between company and project. Then it discusses past research which arrived at a similar conclusion that "construction company performance is under researched" from which this inquiry was formed.

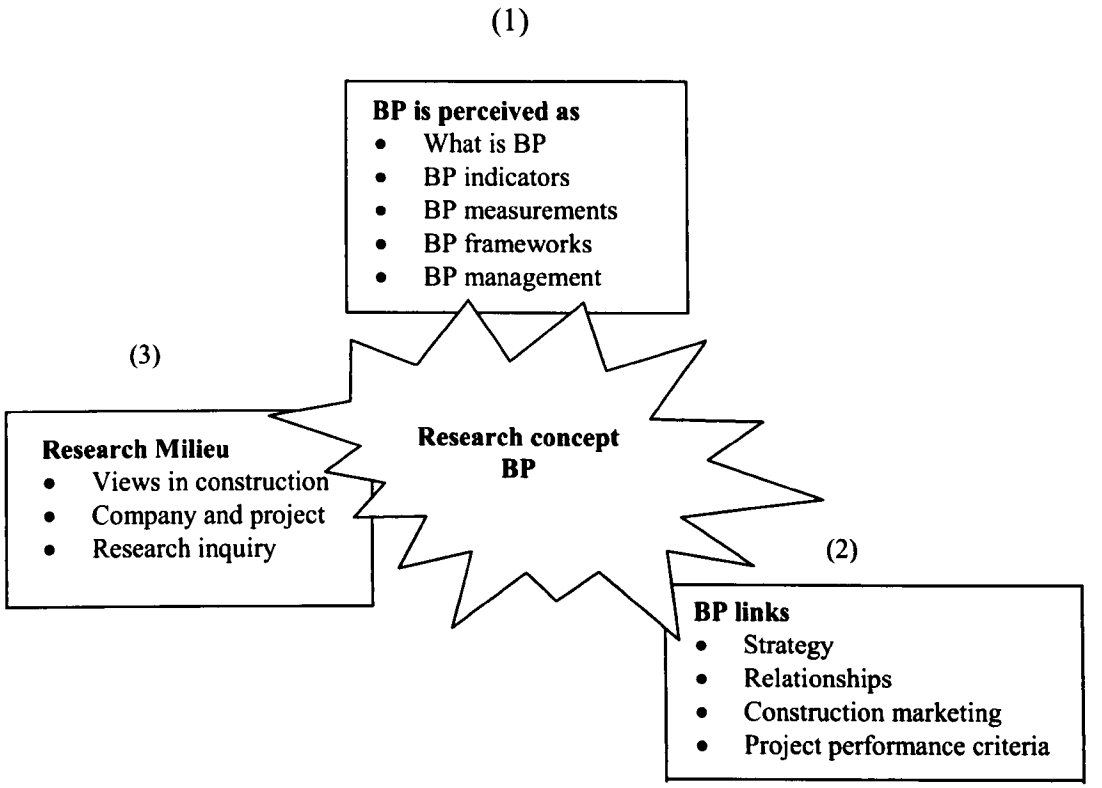



Figure 3.1- Schematic layout of the Chapter

### 3.2 What is BP?

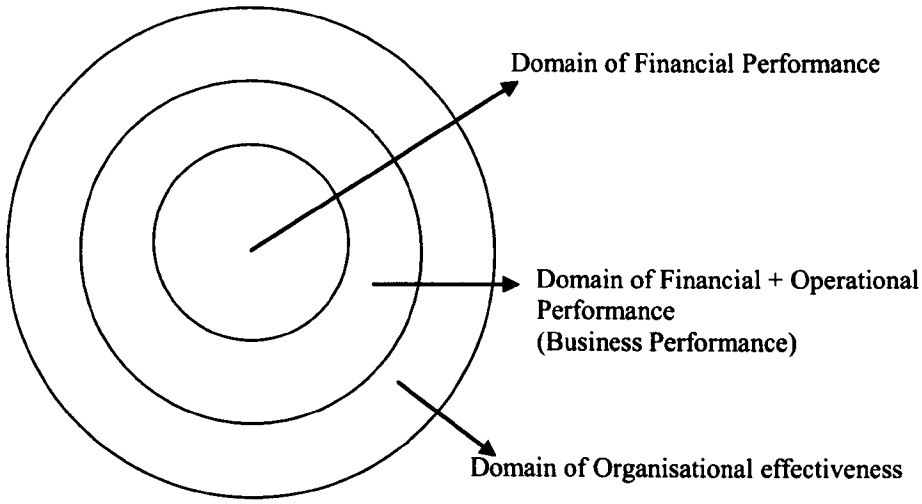
The term BP is embedded in "performance" although not defined. The word 'performance' was derived from the English word 'perform', which has a meaning of to do something or to create something or an activity. 'It can differentiate the actual being or existence, as opposed to an imaginary, idealized, or false nature' (Encarta, 1998-2004). Performance is considered as one of those 'suitcase words in which everyone places the concepts that suit them, letting the context take care of the definition' (PMA, 2000). Furthermore from an organisational behaviour (OB) approach, '[p]erformance is the accomplishment of work assignments or responsibilities and contributions to the organisational goals, including behaviour and professional demeanor (actions, attitude and manner of performance) as demonstrated by the employee's approach to completing work assignments' (FPM, 1999).

From a strategic management approach, Venkatraman and Ramanujam (1986) described that the concept of performance is widely recognised and adopted in the area of organisational effectiveness. Researchers have little consensus on what constitute and valid to create organisational effectiveness (Handa and Adas, 1996). However, Handa and Adas (1996) identified 'organizational attitude towards change, multiple project handling ability, level of planning by management, strength of organizational culture and level of workers' participation in decision making' as significant factors constitute organisational effectiveness in construction companies. These variables are a mix of conceptual categories of 'structural context, organizational flexibility, rules and regulations, person-oriented processes and strategic means and ends' (Handa and Adas, 1996). Thus, Venkatraman and Ramanujam (1986) considered BP as a major player in strategic management in any organisation which contributes towards organisational effectiveness.

The characteristics of BP were studied by researchers in numerous ways. BP was identified as a broad term and can be given different descriptions based on three major criteria. Firstly, some researchers have analysed BP in terms of organisational perspective which included type, size, age and competency of a business (Bassioni, *et al.* 2005; Kagioglou *et al.* 2001; Handa and Adas, 1996; Venkatraman and Ramanujam, 1986). Secondly, in terms of managerial perspective which covered decision making, leadership, human resources management (Handa and Adas, 1996; Shirazi et al., 1996). Thirdly, as a comparative study between industries using industry characteristics (Bryde, 2008).

Those studies demonstrated that BP can capture many different forms within a particular type/size of company/industry, company structure and also in line with prevailing management fads. Thus, BP is observed as a diverse character and companies use many indicators to express it (sections 3.4.1.1 and 3.4.1.2). Some of the BP indicators identified during this empirical study were annual income (turnover), a measure of a company's growth in sales, relationships such as clientele, and financial return on its initial investment which is termed as profitability.

Using an organisational and management perspective, Venkatraman and Ramanujam, (1986) divided BP into two, financial performance and operational performance, and said financial performance is the dominant factor as in figure 3.2 below.




| | |
|---|---|
| Financial Performance | -The domain of performance construct in most strategy research |
| Financial Performance + Operational Performance | -The enlarged domain reflected in recent strategy research |
| Organisational Effectiveness | -The broader domain reflected in most conceptual literature in strategic management and organization theory |

Figure 3.2 – Circumscribing the domain of BP (Venkatraman and Ramanujam, 1986)

Venkatraman and Ramanujam (1986) further described that '[t]he inclusion of operational performance indicators takes us beyond the "black box" approach that seems to characterize the exclusive use of financial indicators and focuses on those key operational success factors that might lead to financial performance'. This recognizes the financial performance as the narrowest but dominant conception and operational performance as the broader conception of BP. Similarly, Bassioni *et al.* (2005) and Kagioglou *et al.* (2001) criticized financial performance measures as results and decisions based on the past and do not encourage the continuous improvement of the overall performance. They all described that a company can identify their past performance using financial performance but not the factors contributed towards achievement of that

performance. Therefore, the operational performance of a company has been the focus of research since the late 1980s (Kagioglou *et al.,* 2001). Additionally, Neely (1999) stated 'some organisations have been far more explicit about the link between financial and non-financial dimensions of performance'.

Venkatraman and Ramanujam (1986) said BP is complex thus circumscribed their study to '(a) adopting the perspective of the field of strategic management and (b) focusing on measurement issues'. Furthermore, 'the important role of business performance on strategic management warrants close attention to conceptualisation and measurement of business performance' (Venkatraman and Ramanujam, 1986). However, this inquiry adopted the management perspective to articulate how senior managers construct BP not the measurement perspective.

### 3.2.1 BP in a construction company

BP is an area of interest to all construction companies (Ankrah and Proverbs 2005; Bassioni *et al.* 2004; Kagioglou *et al.,* 2001; Egan, 1998; Latham, 1994). Within a similar context of environment, size and sector, some companies succeed and some fail. This has laid the path for much research to analyse the reasons using different concepts including this inquiry.

Phua (2007) identified the 'important interaction between the firm and its environment'. Furthermore, 'construction firm performance is influenced by firm-specific resource based factors as well as by industry-specific institutional factors' (Phua, 2006). Therefore, performance of a company including its BP can be influenced by external environment factors: market, industry-specific factors – opportunities, regulations and internal company capabilities – resources. However, Cicmil and Nicolson (1998) argued that in the construction industry there is a '"misfit" between modern business philosophy and traditional "engineers paradigm"'. This "engineers paradigm" has been identified and discussed by Seymour and Rooke (1995) where they concluded; in the real world there is a difference in the way that managers and engineers handle their work.

Therefore, in the real world, construction companies develop 'superior economic and strategic performance' through 'acquiring, exploiting, managing and developing their unique resources and capabilities' (Phua, 2006). Furthermore, these resources and capabilities can be '(i) tangible, such as economic factors of production (e.g. land, material, labour, capital) licence, market share, patents and (ii) intangible, such as human capital, prestige, firm experience management system reputation, technological know-how and buyer-supplier relationships' (Phua, 2006). These resources are 'coupled with the existence of certain rules, regulations and norms that are present within the industry determine the kinds of strategies that firms pursue to achieve optimal economic performance' (Phua, 2006).

Examples for rules which govern performance in construction are occupational health and safety, operations in terms of public and private companies, ethical requirements imposed by various trades and professional bodies (Phua, 2006). Therefore deriving BP for a construction company appears to be a complex task. However, Cicmil and Nicolson (1998) identified that there is a need to align construction company through customer requirements, with the strategic planning for development and growth including project performance. Therefore, Cicmil and Nicolson (1998) suggested a 'marketing orientation as a tool for effective business growth'. This relationship between business development and growth with project performance through customer satisfaction might be the reason for many CM researchers (Ankrah and Proverbs, 2005; Kagioglou *et al.*, 2001; Egan, 1998; Latham, 1994) to analyse project deliverability factors – time, cost and quality.

The above discussion exposed that BP does not exist alone and it is linked with other factors in the industry, company and projects. This complex relationship of BP with other factors is not unique to construction industry. It can be confirmed using a few mainstream management studies. For example White and Hamermesh (1981) identified the relationship between strategy and structure of an organisation with BP. Harrington *et al.* (2004) recognised dynamism, complexity and munificence as environmental characteristics that can affect strategy formulation in any organisation and consequently

its performance. Venkatraman and Ramanujam (1986) identified the BP as a useful element in strategic management of a company.

This shows that the BP is an important but a complex phenomenon and there is no direct method to approach BP in a construction company. Therefore, it is widely accepted that BP is a multi-faceted concept (Neely 1999). BP of a construction company is a much discussed topic in the CM journals as well as main stream management journals. It is linked with OB – where strategic management and human resources management are heavily discussed. It is further linked to project management, marketing and finance disciplines. Nevertheless, the literature suggested that the determinants of BP are identified but BP is not defined.

### 3.3 Indicators of BP

BP measurement, performance measurement frameworks and BP management are three areas which have attracted academic's and practitioners' interest. They are used separately and also in relation to one another to develop an understanding of this multifaceted notion.

Bassioni *et al.* (2005) described purposes of BP measurement in a construction organisation is to measure the general business health and to measure strategic performance. Performance measurement framework is defined by Bassioni *et al.* (2004) as a 'general theoretical framework developed in research that can act as the basis for a company's performance measurement system'. Kagioglou *et al.* (2001) identified that the performance management and performance measurement as the process in a systems model where vision and strategy are inputs and the BP is the output.

#### 3.3.1 BP measurements

Performance can be measured at different levels such as industry level where GDP[7] or GVA is common, construction company level where turnover, profitability are common

[7] GDP refers to Gross Domestic Product and is a measurement of annual market value of goods and services produced by a country

criteria and at project level time, cost quality and customer satisfaction being the main criteria. The 'purpose of performance measurement is to effect control' through 'planning what should be achieved' and 'monitoring what is achieved' which eventually lead to control or minimise the variation (Horner, 2006 p271).

Therefore, performance measurements are necessary to analyse not only construction companies' previous performance (as the case with many quantitative research), but more importantly its current performance and to forecast future performance. Performance measurement relation to construction; is a process of collecting and reporting information about the inputs, efficiency and effectiveness of construction projects at regular intervals (Takim *et al.,* 2003). To achieve validated results, gathering current performance data is critical to any performance measurement system. Usually the benefits of performance measurements go below the bottom line of any strategy used in companies (Kaydos, 1999 p2). However, they are not well recognised. As a remedy Bassioni *et al.* (2005) suggested that performance measurement should be based on critical success factors of a company. Thus, performance measurement should not be considered as an option to the improvement process (Kaydos, 1999 p10). This demonstrated that performance measurement as an essential process in a company.

However, Horner (2006, p294) identified a 'lack of integration in modern performance measurement systems'. Kaydos (1999, p44) emphasised the need of 'integrated system of measures that reflect the entire process'. Furthermore, Horner (2006, p294) said 'there are discontinuities between cost and financial systems, cost and time systems' So it adds another dimension (inconsistency in performance measurement) to the disparity between company and project. Horner (2006, p270) said 'to develop a hierarchical approach' is a challenge in all process-based industries including construction.

Nevertheless, a set of proper performance measurement tools can be beneficial to the managers as well as employees in a company. It can be used to evaluate current performance, to facilitate improvement in future performance, to inspire employees and align them towards company strategy and to contribute towards decision making in

strategic management. These benefits depend on the type of systems adopted at company level and project level, their compatibility with one another and the management of those systems.

Consequently, performance measurement in construction can be summarized as construction project performance measurement is a sub-process in different larger processes such as profitability of a company, benchmarking a construction company in the industry, evaluating internal organisational activities (in different projects) and also part of strategic management tool. Similarly, a company's BP measurement system falls as a sub-system related to the benchmarking systems for the industry. Thus the selection of the type of framework at the required level is important. Such a system should be able to communicate at different levels from day-to-day operations to long-term strategy of a company. It is expected that these current performance measurements enable the managers to minimise or eliminate the future gap between actual and desired performance levels in a company and project/s. However, Horner (2006) and Cain (2004, p136) identified a mis-match due to the unstructured nature of the construction industry and the structured nature of performance measurement frameworks.

This empirical inquiry identified that construction companies investigated do not use any standard framework to measure performance except for health and safety. Measurement of health and safety is standardised and it is a statutory requirement, thus, used to benchmark construction companies. However, senior managers were adopting few financial and non-financial measures for internal reporting purposes. They are turnover and total projects value at company level and KPIs for cost, time, quality and customer satisfaction at project level. Neely *et al.* (2002) said '[f]inancial measures are critical for their short-term evaluations, while non-financial measures are key to longer-term assessment'. Thus the following sections explore financial and non-financial indicators in BP.

### 3.3.1.1 Financial indicators

Economics is a prominent part in any business. At the company level 'the most common measure of performance is profitability' (Horner, 2006 p273) and 'there are a plethora of financial ratios' (Horner, 2006 p273). From a strategic business perspective Venkatraman (1989) described 'growth and profitability dimensions' as indicators to measure BP. The function of growth dimension is to 'reflect the performance trend of the business' whereas profitability dimension 'reflects an efficiency view of current performance' (Venkatraman, 1989). The examples from Venkatraman for growth dimensions are sales growth position relative to competition, satisfaction with sales growth rate and market share gain relative to competition. Examples given for profitability dimension are satisfaction with return on corporate investment, net profit position relative to competition, ROI (rate on interest) position relative to competition, satisfaction with return on sales and financial liquidity position relative to competition.

Traditionally, companies report their worth in terms of financial and physical assets. The most common financial indicator in a construction company is the "turnover" which is the income of a business and is subjected to inflation. Thus comparison of annual turnover cannot be considered as a realistic measure of health of a business. Construction projects strictly monitor "cash flow" which is the simplest form of accounting. 'Historically, construction has been a cash flow business' Hughes (2006, p354). Cash surplus or deficit at the end of a project can give rise to profit or loss in the said project therefore it is an objective measurement. Nevertheless, it is simplistic in analysis, regular monitoring of the cash flow can also give early indication of the BP of projects. However, simple aggregate of short-term profit or loss in a project cannot be extended to forecast long-term profit or loss for the construction company. Reasons will be other costs such as staff (not on projects), overhead (running an office), payments such as rents and loans that a company is liable not a specific project.

There is a general consensus among researchers (Horner, 2006; Ankrah and Proverbs 2005; Kagioglou *et al.*, 2001) that financial indicators alone cannot determine the performance of a company. Similarly, Handa and Adas (1996) stated '[a]lthough most

managers use some indicators (mostly financial) these do not capture all of the salient elements of effectiveness and cannot be relied upon as predictors of effectiveness'. However, Sousa *et al.* (2006) through a study of performance measures on SME's in England confirmed that '[o]verall, financial measures were the most widely used'. Furthermore, measurement of financial performance is a statutory requirement (Horner, 2006, p282) for a registered company in UK. Therefore companies make an attempt to scrutinize BP through financial as well as non-financial indicators.

#### 3.3.1.2 Non-financial indicators

Neely *et al.* (2002) stated that strong non-financial factors 'can be used as leading indicators of future financial performance'. BP is governed by non-financial factors such as client/customer and employee satisfaction, trust in relationships, tacit knowledge and many more. In line with this, Horner (2006, p273) said 'companies are taking increasing pains to measure client satisfaction, on which their competitive edge depends, and employee satisfaction, on which their ability to produce the necessary goods and services relies'.

Sako (1997) analysed the relationship between BP and inter-organisational trust in automotive supplier companies in Japan, US and Europe including UK. This study 'conceptualised inter-organizational trust into 'contractual trust', 'competence trust' or 'goodwill trust'' based on reducing transaction cost, investment to increase future returns and continuous improvement and learning. Findings identified 'goodwill trust' would have the strongest impact on performance' (Sako, 1997). Reasons given are 'the extra edge which 'goodwill trust' offers over and above the formal governance structures of contracts or hierarchies is learning and continuous improvement, not merely in making savings in transaction cost' (Sako, 1997).

Trust has been discussed as a factor related to success or failure in construction projects (Egan, 1998; Latham, 1994). Kalfan *et al.* (2007) said '[h]onest communication, reliance and delivery of outcomes [in projects]' are factors contributing to trust in construction in the NW region of UK. Therefore, 'building of trusting teams must, ultimately, be about

improved project performance' (Kalfan *et al.*, 2007) which consequently improve BP in a company. Although many changes have taken place in the construction industry UK after Latham and Egan studies, it is surmised that its outlook has not changed much. As an example, Kalfan *et al.* (2007) stated '[t]here is a sense that there needs to be a cultural change, a move from a "blame culture" to a "problem-solving culture"'.

In a problem solving culture, Pathirage *et al.* (2007) identified that 'tacit knowledge has become more relevant to sustaining business performance than traditional physical capital' is useful. Their conceptual research on tacit knowledge in the construction industry identified the effective use of tacit knowledge 'to achieve best value due to industry's inherent nature' (Pathirage *et al.*, 2007).

Similarly, a plethora of existing research has explored many non-financial perspectives that contribute towards BP of a company. As examples (1) the structure of a company (Phua, 2006; Handa and Adas, 1996), (2) non-financial strategy (Green *et al.*, 2008; Bassioni *et al.*, 2004; Kagioglou *et al.*, 2001; Handa and Adas, 1996; McGrath *et al.*, 1995; Venkatraman, 1989), (3) environmental factors - internal and external (Phua, 2007; Harrington *et al.*, 2004; Shirazi *et al.*, 1996; White and Hamermesh, 1981), (4) quality of work (Hafeez *et al.*, 2006; Freiesleben 2005) and (5) customer satisfaction (Morgan and Rego 2006; Cicmil and Nicholson 1998). It makes BP a further complex concept which has links to all above non-financial criteria.

#### 3.3.1.3 Existing research in BP

Existing research suggested that contractors' performance is a common area which has been explored by academics and practitioners mainly using a positivist epistemology. The standard method to analyse BP of a company is by profitability, market share and growth for a given period, which can be generated through regular financial analysis. Many researchers have used this approach because of the ease of accessibility to numerical data

through quarterly/annually financial statements, regular cost analysis reports, performance measurement frameworks such as KPIs, EFQM, BSC[8].

However among the CM research community there is a growing concern about such financial measurement analysis. Kagioglou *et al.* (2001) criticized financial performance measures as 'results and decisions based on the past and do not encourage the continuous improvement of the overall performance'. Many researchers (Horner, 2006; Ankrah and Proverbs, 2005; Bassioni *et al.*, 2005; Kagioglou *et al.*, 2001) suggested that a company can identify its past performance using financial performance indicators but not the factors that contributed towards achievement of that performance. They have considered financial information as a lagging indicator at least by one reporting cycle in terms of its readiness for future decision making. In relation to a project-oriented business like construction, Ankrah and Proverbs (2005) stated performance can be approached by means of two perspectives; overall BP and individual project performance of the organisation. They argued that the BP measured as profitability in a construction organisation using only financial indicators does not convey the strategies and specific requirements of individual project performances which contributed towards it. Bassioni *et al.* (2004) emphasised that 'managers need current, up-to date, and mostly non financial information to be able to take better decisions/actions'.

This concept of these CM researchers has been supported by the mainstream management literature. Thus, main stream management researchers commented about the inadequacy of gauging a company based upon financial measures through strategic control. Non-financial measures are considered as value drivers or performance drivers for financial performance in performance measuring systems- balanced scorecard and value based management (Frigo, 2002). 'The traditional methods of measuring a company's performance by financial indices alone have virtually disappeared from large organisations' (Basu, 2001). Thus, 'strategy build[s] on non-financial performance measures help in its execution' (Frigo, 2002). The "Beyond Budgeting" process

[8] BSC – Balanced Scorecard is a performance measurement framework with financial and non-financial measures which can be used to measure/monitor organisational performance related to strategic goals. Therefore it can be used to align operational activities to achieve organisational effectiveness.

described by de Wall (2005) creates flexible organisation structure with authoritative employees and supportive management process. They emphasized the fact that non-financial indicators (operational performance indicators) are equally or more important than the financial indicators for a broader conceptualization of BP.

The underpinning idea is that they all want to understand how organisations are performing in the short term, how well they are likely to perform continually in the long term and the factors driving those performances. By doing so, those researchers demonstrated that organisations are now moving towards a deeper analysis of BP than the surface level analysis which was based on financial situation of an organisation.

### 3.3.2 BP frameworks

Several frameworks are available to measure construction performance based on individual projects or overall company performance or both. Some of those frameworks can be used to measure financial or non-financial measures or a combination of both. However, many of them are theoretically based rather than empirically proven (Kagioglou *et al.*, 2001).

Existing frameworks may not fit well with all different types of construction companies and different types of organisational cultures. As an example it was identified during this study none of the companies investigated used a standard framework for performance analysis other than standard health and safety measurements and a few KPIs derived by individual companies. Ankrah and Proverbs (2005) identified that the organisational culture plays an important role in construction project performance. Therefore, any performance measurement framework should align with the requirements of the organisational culture to be satisfactory in the long-term. Ankrah and Proverbs (2005) confirmed that a 'one-fits-all' approach to performance measurement is not satisfactory in the construction industry.

Kagioglou *et al.* (2001) described, performance measurement in the construction industry can be addressed in relation to the construction product as a facility improvement

(refurbishment) or in relation to creation of a new product (new-build). They analysed BSC, Performance Metrics (PM) and KPI frameworks as suitable performance measurement frameworks in the construction industry. Kagioglou *et al.* (2001) explained that BSC does not 'identify the relationship between the measures developed for certain goals' and does not consider 'projects perspective' and 'supplier's perspective' which is useful for a construction company. Similarly, PM does not provide a structure where performance measures can be evaluated in relation to strategy. Furthermore said, the KPI framework is accurate in terms of predictability of design and construction cost, but, does not take into consideration of any cost reductions or increases by the suppliers when measuring construction cost in a project. Thus, eliminating the short comings from the above three systems Kagioglou *et al.* (2001) invented a conceptual performance management process framework (PMPF). PMPF is specifically derived to use in the construction industry and based on the BSC with additional view on 'project' and 'supplier', which has not been covered by BSC Kagioglou *et al.* (2001). Although PMPF can be used effectively in construction projects according to its originators, it lacks validation from the industry so far.

Takim *et al.* (2003) synthesised the performance measurement frameworks in four broad headings based on various stages of construction project development namely; construction project performance measurement model, construction productivity measurement model, project viability measurement model and project quality measurement model. Under those headings they analysed two frameworks. One of them is the popular KPI method, which was developed by Construction Best Practice Programme, UK. The other is Integrated Performance Index (IPI) developed by Pillai *et al.* (2002) as cited in Takim *et al.* (2003). However, Takim *et al.* (2003) concluded with reasonable factors that KPI framework has been well received by the parties involved in the construction industry but not IPI.

Different frameworks measure different criteria. Frameworks investigated maintained reliance on traditional project performance criteria - cost, time and quality. Apart from those three criteria some of the frameworks even go into softer issues such as trust or

confidence in contractor performance (Kagioglou *et al.*, 2001), willingness to use the same contractor again (Kagioglou *et al.*, 2001) and leadership issues (Bassioni *et al.*, 2005).

However, there is enough evidence to suggest that these frameworks are so structured to measure certain things in certain circumstances not in general, thus retrospective in nature. Ankrah and Proverbs (2005) identified the restricted use of performance measurements in the construction industry due to 'inadequacy of measures, complexity of measurement, time consuming and costly nature of performance measurement, and project oriented nature of the industry'. From another perspective, Neely (1999) stated that the problem of BP measurement is related to the management of measurement systems in the long-term. Consequently, the next section explores the BP management in a company.

### 3.3.3 BP management

Mackay *et al.* (2008) said BP management need to be 'reducing the money-making machine of the business down to component parts and measuring the performance of each, a more holistic view should be adopted which instead concentrates on how the overall value creating system performs as the different elements interact'. CIPD (2002, pix) identified that 'many organisations are putting their performance at risk because management development itself continues to be a victim of poor management practice, disconnected from the business imperatives and challenges of the enterprise'.

The above illustrated the requirement for a strong relationship between BP and management practice in an organisation through value creation. However, in a construction company management practice is complicated because management need to satisfy internal company and projects requirements in addition to the external statutory requirements. It is surmised that BP of a company is under intense pressure from internal as well as external requirements to satisfy different goals; thus BP management is scrutinised from all sides. This can be a reason for the previous commentators'

identification that construction companies concentrate more on project performance than company performance as recognized in section 3.5.3.

Around the year 2000 BP management systems were introduced to integrate planning and reporting of financial and operational performance (Pancoast, 2006). Such systems deal with people, processes and technology (Waters, 2006). CIPD (2002, pvii) described two broad routes to improve BP through management behaviour; (1) transactional school – 'the main emphasis is on the trading and exploitation of assets and the squeezing of organisational costs to the bone' and (2) business process – 'developing an organisation that is capable of performing better than its competitors'.

A construction company is engaged with both activities as described above. As an example it falls into category (1) above when project performance is considered and into category (2) above when overall company performance is considered. However, Koskela and Ballard (2006) criticised category (1) approach to project management due to its partiality, inability to separate transaction cost from production cost and inability to encourage continuous improvement because production is based on the lowest cost.

This disparity in management practice at project and company level can be one of the reasons for previous commentators to analyse project and company separately. There is a possibility that this same reason has led to the BP of a construction company being a much discussed topic in the CM journals, but without a definition. However, considering the management of projects (Morris, 2006) and revaluing construction (Barrett, 2005) it can be argued that the construction project is part of the company, therefore any management practice affecting projects needs to be embedded in the management practice of the company and vice-versa.

In summarising, the BP management it can be argued that a medium-sized construction company needs different types of skills for its different operations on project and company levels. The management of all such processes are imperative to develop BP for the company. Therefore BP management perspective is significant for these companies

for number of reasons: (1) to formulate new business plans which includes expand or contract of present business (2) to retain and to attract internal skills and existing clients/customers and/or to attract new skills and new clients/customers, (3) to develop or to change the business strategy in turn to be more profitable. Thus, this inquiry leads to investigate BP links which facilitates development of BP.

### 3.4 BP and its links in construction

This section discusses identified links to BP in this empirical study. They are – strategy, relationships (construction consortia, partnering, supply chain, sub-contracting), marketing and project performance criteria (customer satisfaction and quality of work).

#### 3.4.1 Strategy

Strategy literature is vast and very rich in content. In a company, strategy can be formulated using different concepts as a plan, ploy, pattern, position, and a perspective (Mintzberg, 1987). Companies develop different strategies such as business and operational; using one or a combination of the above and Venkatraman and Ramanujam (1986) stressed that BP involves in strategic management of an organisation.

From a conceptual perspective, Green *et al.* (2008) described strategic management as a fragmented discipline that is 'characterized by numerous schools of thought such as strategic positioning school, the process school, the action school, the dynamic capabilities school, the resource based view and the practice school' Of those, dynamic capabilities and the resource based view were considered by CM researchers related to performance of construction companies (Phua, 2007). Similarly, McGrath *et al.* (1995) described two major paradigms of strategy related to sustained superior performance such as (1) 'competitive advantage' where some companies are 'more or less attractive because they contain structural impediments to competitive forces' and (2) resource based view where companies 'over time, they accumulate unique combinations of resources and abilities which allow them to garner rents on the basis of distinctive competence'. There is evidence, that in a construction company, business strategy is developed as a plan to satisfy competitive advantage based on its numerous competencies

such as people and organisational structure (Phua, 2007). Therefore, such a strategy covers a broad contextual area which includes overall performance, profitability, professional and social relations in a company.

From an empirical perspective, Chinowsky and Meredith (2000) said 'strategic management has received less attention in the construction industry'. However, Srivannaboon and Milosevic (2006) recognized that there is a growing need for 'alignment of PM[9]/business strategy more thoroughly'. Then, Chinowsky and Meredith (2000) iterated '[a]lthough the pressures of project performance can often obscure the broader social, economic and professional context in which strategic management is under-taken, it is these broad contextual areas that makes strategic management an essential issue for construction organization'. Therefore strategic management and implementation is an advantage to the industry to 'proactively manage emerging strategies rather than simply reacting to change markets when it is too late to avoid impending failure' (Price, 2003). This point has been discussed in CM research and has led to identify construction as a reactive industry in section 3.5.1.

The above perspectives suggested alignment of strategic priorities in company and project/s as a requirement in creating BP. Price (2003) said that construction companies are attending to a strategic change due to 'increased integration of its supply chain'. Furthermore, 'strategy process within many construction organizations still needs to be improved' (Price, 2003). One way of improving strategy process is 'to focus on the right projects, given the objectives of the business strategy' (Srivannaboon and Milosevic, 2006). This same reason has been identified as a requirement for integration between company and project in the section 3.5.2. In agreement with Srivannaboon and Milosevic, Ramsay (1989, p23) said 'headquarters,... involves the strategic thinking necessary to achieve a better sense of direction thereby increasing long term financial returns for the total company'. Furthermore 'companies must develop and execute innovative business strategies in order to stay competitive' (Srivannaboon and Milosevic, 2006). Therefore, alignment of project/s with companies' business strategy is crucial. Thus this inquiry

[9] PM refers to project management

enquires into the alignment of company and project strategies to create BP in medium-sized construction companies.

Ramsay (1989, p10) stated that the 'essence of business strategy is try to arrange things so that you are in control of the situation'. However 'planning and control in a strategic sense is very difficult' because it 'requires more data from more sources, particularly external sources' (Stacey, 2003 p63). Furthermore, strategic control does not address the creativity, innovation and richness and importance of relationships between people in an organisation (Stacey, 2003 p63). Therefore, Stacey favoured the financial budget as an instrument to implement short-term control as opposed to top-down, long-term strategic control.

However, making the situation further complex, Ramsey (1989, p11) said that mission or vision, objectives and strategy is interrelated in a company irrespective of size and type of industry. Furthermore, Venkataraman (1989) said the concept of strategy can be formed at different levels of a hierarchy namely corporate, business/operational and functional. Thus, the question arises of whether it is more appropriate for this study to analyse BP as a strategy concept across the hierarchy of a construction company or to confine it to one level. It is assumed that BP is a process commenced at the company level and transferred to project/s level through a business level. Thus, it is expected participation of all three levels to develop BP. However, this inquiry was designed to generate perceptions of senior managers at company level on creating BP in their companies due to the assumption made in Chapter 2, section 2.4.2.

#### 3.4.1.1 Company strategy turning into project strategy/ operational tactics

Past researchers described implementation of strategy as more useful than formation of a strategy. Akan *et al.* (2006) identified that 'tactics associated with each of the generic strategies' are significant for implementation of that generic strategy'. Thus alignment of business strategy in project/s is a challenge because businesses are not static in the changing economy (Becher, 2005).

Therefore, long-term strategic planning is not sufficient to make a business sustainable. It needs to address the process of how to bridge the gap between strategy and execution of that strategy. Becher (2005) described 'the biggest impediment to organisations' success is not that they lack a well-defined strategy or well-honed execution; it's the fact that these two are usually not in sync'. Srivannaboon and Milosevic (2006) identified that 'objectives of business strategy are not always well communicated or consistent with PM actions'.

Akan *et al.* (2006) said that 'managers [are] essentially been left to interpret Porter's theory and then determine implementation on their own'. Furthermore they identified that tactics associated with generic strategies are implemented by managers at the operational level based on 'their intuition, experience or trial and error alone' (Akan *et al.*, 2006). Therefore it might adversely affect the organisational performance. In an extreme case, it can 'cause an organization to loose market opportunity' (Srivannaboon and Milosevic, 2006). Similarly, Samuelsson *et al.* (2006) identified the gap between strategic and operational levels of a company and described that usually lower managers prioritised operational criteria without paying attention to the strategy due to the lack of incentives of alignment between the two. However, Akan *et al.* (2006) stated that 'a number of tactics are necessary to follow a given generic strategy'

Therefore, Becher (2005) suggested ways of reducing the gap between tactics and strategy as (1) increasing transparency in different departments, (2) sharing information, (3) effective empowerment to achieve organisational goals and (4) encouraging functional and individual accountability. Furthermore, Samuelsson *et al.* (2006) stressed the (5) need for unambiguous and concrete strategy, (6) explanations of the importance of strategy and (7) how individuals' choices and actions influence or limit it and provide incentives for people to attain the strategic objectives. Becher and Samuelsson *et al.* suggested the use of company-wide performance measurement system as a tool to align strategy with the tactics. Alternatively, Morris and Jamison (2002) described the use of portfolio and programme management in construction to transfer business strategy to projects.

Business development activity in a company is represented by portfolio management which is 'used primarily to select and priorities programs and projects, and not to manage programs or projects' (Morris and Jamison, 2002). The programme management is described as 'primarily in the sense of managing a group of high value projects sharing a common aim and/or of delivering regular benefits over a protracted period of time' (Morris and Jamison, 2002). This represents a scenario that all projects in a company are managed to gain business benefits to the company.

However, Ezer and Demetis (2007) criticised strategy as 'one of the most outrageous of the management myths' and argued in favour of short-term tactics by dispelling the long-term strategy. Stacey (2003 p63) believed 'strategic control is inevitably less precise and less formal than budgetary control'. Ezer and Demetis (2007) criticised the scholars who neglect the facts such as importance of changing context in organisations and people who are responding to their environment and making adjustments to handle the present. Therefore, the 'real innovation does not arise from boardroom directives, rather it emanates from people doing their jobs every day, experimenting with different approaches and tinkering with new technology' (Ezer and Demetis, 2007). In their study they discussed a successful Canadian software company which is focused on short-term tactics instead of long-term strategy and said that the operations were based on 'understanding the present situation, the client's needs and react quickly' without any obstructions by formal administrators or managers (Ezer and Demetis, 2007). Some parts of this notion are in line with Stacey's preference – short-term budget but with more flexibility and authority for people who are doing the job.

In summary, strategy needs to be flexible. Formation and implementation are equally important. Strategy can be short-term and implemented as tactics (Ezer and Demetis, 2007) and budget (Stacey, 2003 p63). Alternatively strategy can be long-term and implemented as selection of projects (Srivannaboon and Milosevic, 2006), strategic thinking from headquarters (Ramsay, 1989 p23) such as performance measurement

system (Samuelsson *et al.*, 2006; Becher, 2005) and through portfolio and programme management (Morris and Jamison, 2002).

### 3.4.2 Marketing

The construction industry is contributing as a major economic developer in any economy (Hillebrandt 1988 p4). Construction market is highly competitive and always changing. Thus, knowledge about construction marketing becomes a predominant requirement for a construction company to generate economic growth. However, '[u]nfortunately, construction and marketing were often regarded separately as two different disciplines without any common interface'. Pheng (1994) demonstrated that business 'planning of this nature has neglected the interface between construction and marketing'. From the few research available '[c]onstruction researchers have also grappled with the question as to exactly what constitutes marketing in construction' (Yisa *et al.*, 1996). Thus, there is a gap between construction and marketing.

Simpson and Taylor (2002) identified in relation to SMEs 'although marketing is an important business function, its role within the organisation and its relevance with regard to the business environment in which the company operates is a complex relationship'. In construction SMEs there is a 'lack of understanding of the true meaning of marketing and how it can be integrated with business and project planning in construction, rather than being used as a bolt-on promotional tool' (Walker *et al.*, 2007). However, this is not the case in large construction companies.

Hall (2007) identified through a study on a diverse range of UK-based construction enterprises that 'marketing of overseas operations has become an increasingly important activity for international construction enterprises'. Reasons discussed are differences in culture and ethics and Hall (2007) said '[i]f they are to maintain a significant presence in the international arena, they can no longer rely on reputation and historical connections'. It indicated that construction SMEs do not need a marketing approach because they can rely on their reputation built through previous work in their locality. However, it can also be related to the lack of knowledge in marketing (Walker *et al.*, 2007; Yisa *et al.*, 1996;

Pheng, 1994). Construction companies renowned for "getting jobs, doing jobs and getting paid" and thus, majority if not all employees are with a construction background with minimal or no knowledge in marketing. Furthermore, Simpson and Taylor (2002) identified, 'SMEs lacked the financial resources to employ specialists, that the resource constraints limited the ability of the company to search for information and that a lack of management information system limited the use of data already held within the organisation'. Those researchers identified that lack of employees' background, intelligence in business promotion and market research and, financial resources as limiting factors in construction marketing.

However, the industry has changed and in SMEs, '[p]rofessional marketing has only recently been recognized as an important factor for business success in the construction industry (Walker *et al.*, 2007). But Cicmil and Nicholson (1998) are concerned that '[u]nless all the employees are clear about the objectives of the organizational change, there can be no positive effects on business performance as a whole'.

Yisa *et al.* (1996) and Knight *et al.* (2002) identified a shift in adopted procurement from client-led to contractor-led such as design and build is preferred by the clients. This 'encouraged more client participation in the construction process' (Yisa *et al.*, 1996). Therefore, Yisa *et al.* (1996) argued that 'for a long term competitive advantage, marketing strategy must be developed towards relationship marketing by developing strategic alliances such as package deals, partnering arrangements, joint ventures, and offers of additional services to the client in addition to the construction services'. Construction has changed since Yisa *et al.*'s analysis; thus partnering and joint ventures are not new anymore. However, the suggestion on 'additional services' though not clearly specified, might lead to more complications in the industry instead of a marketing strategy as expected. The construction industry covers a vast range of services such as design, estimating, new build, refurbishments, life-time maintenance, after care services. Due to this variation, the industry was identified as a complex and fragmented business by many researchers. So by introducing 'additional services' the situation might not get better.

However, there is a possibility by introducing a marketing strategy to integrate company and its project/s. Cicmil and Nicholson (1998) considered it as a strong requirement, 'unless the construction companies start seriously analysing their own marketing environment and aligning their pre-project and project performance with the clients' needs, they will create their own decline'. Thus, Cicmil and Nicholson proposed the 'introduction of a marketing department and the appointment of a marketing manager' to handle marketing requirements thereby to improve BP. This is recognized in Chapter 4, section 4.3.3. Furthermore, the formation of consortia, partnering, and supply chain supported that companies have inclined towards the proposed 'relationship marketing' (Yisa *et al.,* 1996) to develop construction business. This is recognised in Chapter 4, section 4.3.1. The usefulness in relationships in construction companies will be discussed in the following section.

### 3.4.3 Relationships

Latham (1994) has recognised the issue of adversarial relationships in construction and its affects in construction companies and the industry. There is enough evidence that private/ public clients and construction companies take conscious efforts to avoid adversarial approach to projects by using new contracting models based in relationships such as consortia, partnering and supply chain. There is a plethora of such contracting models available in the industry with different agreements between involved parties.

Since there is no one size-fits-all case in the construction industry, it has attracted many criticisms for trying different ideas to improve construction performance. As an example, Chaston *et al.* (1999) criticized the support of the government for two decades of providing SME sector firms 'the funding of intervention by commercial consultants and training schemes covering start ups, owner-manager developments and employee skill acquisition' where it failed to enhance performance of SME firms. Although, the introduction of organisational learning is attractive to SMEs, however, theories based on large firms cannot be applied to SMEs (Chaston *et al.,* 1999). This is an issue related to size and governance of a company, however, Dubois and Gadde (2000) described that the

industry favoured transaction to relationships which hinders collaborative working. Therefore, 'a fresh approach is required which ensures embedding of the concept that firms should be more responsible and continually strive to find ways of enhancing their performance' (Chaston *et al.*, 1999).

One of the new ways of enhancing performance is identified through the relationships formed at different levels in a construction company. '[a] relationship approach needs to be recognised as a basis of strategy or vehicle for managing projects' (Pryke and Smyth, 2006b p29). These relationships come in many forms and it can be summarised as consortia, partnering, supply chain and sub-contracting where team working and collaborative working is required. These relationships also operate at different levels such as business to business, business to individual and individual to individual (Pryke and Smyth, 2006a p10). Dubois and Gadde (2002) said '[l]ong-term relationships and adaptations beyond individual construction projects are necessary to foster learning and innovation' in the industry. Consortia, partnering and supply chain are examples for such long-term relationships. Additionally, short-term relationships are available in the industry, as an example sub-contracting in a specific project.

In this inquiry, those relationships were explored in four categories namely, relationships formed between companies to get recognised for substantial construction work (construction consortia), relationships formed at company level with clients/customers (partnering), relationships formed with sub-contractors at the project level to execute that project and supply chain relationships formed by companies as a strategic approach to continually work with a known set of sub-contractors in projects. All these relationships are enclosed in different forms of construction procurement methods which conform to legal contractual documents binding parties involved. However, this inquiry does not deal with the legal aspects of those contracts, instead it focuses on the relationship aspect.

### 3.4.3.1 Construction consortia

This takes a strategic approach in the formation of relationships with different parties involved, however, not the preferred option (Gruneberg and Hughes, 2006). Construction consortia[10] comprise a group of companies of different professionals such as a public sector client, developer, funder/banker, consultants, contractors and specialist contractors (mechanical and electrical) to carry out large scale and highly complex construction work. Generally a consortium is headed by a developer but it can be headed by the main contractor (Gruneberg and Hughes, 2006). The formation of 'construction consortia' is a means of changing the deep-rooted concept of a short-term thinking to a long-term thinking in construction business (Gruneberg and Hughes, 2006). This has been identified as a requirement to improve performance in the construction industry by Flanagan (1999) (see section 3.5.1). Gruneberg and Hughes (2006) described reasons to form construction consortia as to:

(1) integrate facilities and services of building-in-use phase at the inception of buildings.

(2) lessen the uncertainties and risks that individual contractors have to bear.

(3) involve in the development of large scale projects which SMEs may not able to offer their services and also to share work with many SMEs without creating monopolies.

(4) form an attractive advertising/ marketing approach using joint capabilities.

(5) eliminate the blame culture between different parties and problems in construction design, production and maintenance by addressing them in a meaningful way to achieve value management approach and thus to create long-lasting solutions.

Gruneberg and Hughes (2006) said 'there is no one form that defines construction consortia'. Following figures 3.5(a), 3.5(b) and 3.5(c) illustrates different types of relationships between members of a construction consortium.

[10] A construction consortium is 'an arrangement between several firms where each contributes an equal stake in the form of risk capital of payment in kind in order to qualify as a member. Remuneration of consortium members may be calculated as the share of the net profits of the consortium' (Gruneberg and Hughes, 2006).

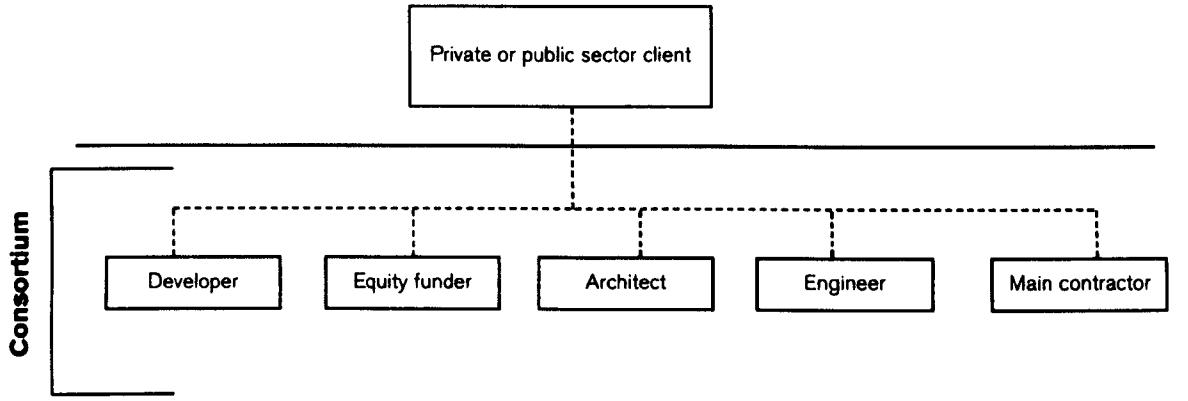



Figure 3.3(a) – Consortium showing external client and lines of communication between individual members of a consortium and the client with little or no communication between members of the supply chain (Gruneberg and Hughes, 2006).

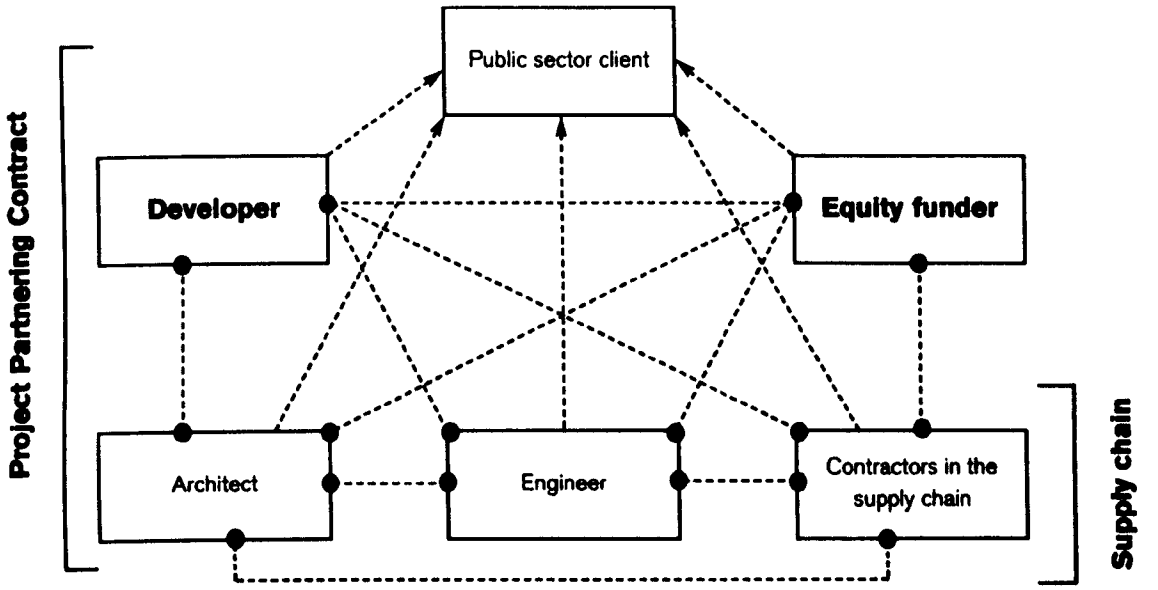



Figure 3.3(b) – Project partnering contract showing the client within the contract arrangements and lines of communication between individual members of a consortium and the client and between members of the supply chain (Gruneberg and Hughes, 2006).

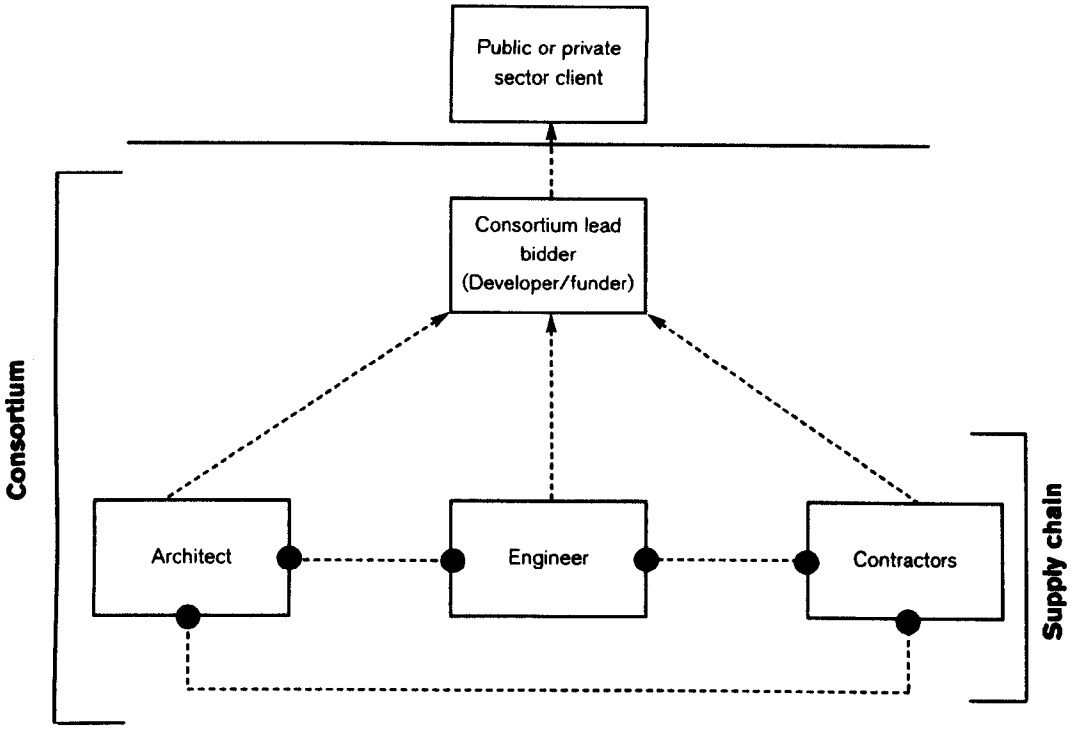



Figure 3.3(c) – Consortium arrangement showing lines of communication between individual members of a consortium including the supply chain but excluding the client (Gruneberg and Hughes, 2006).

Thus a company's major driver in joining a consortium is to succeed in project/s with the help of its other expertise. This concept is not new; Cannon and Hillebrandt (1989b p35) described it as a 'conglomerate'. The construction consortium is seen as the solution for a heavily fragmented construction industry by Gruneberg and Hughes, though in reality consortium works as a fragmented company increasing tensions and conflicts in management by adding another dimension of complexity to the construction industry. Success and failure factors in such strategic alliances[11] have been investigated. Lajara *et al.* (2003) revealed that 'strategic alliances are becoming one of the main tools firms have to improve and maintain their level of competitiveness, especially when their small size prevents them from undertaking many projects on their own'. Furthermore, in alliances

[11] A strategic alliance is 'formed by firms who seek to work together on an on-going basis as and when the members of the alliance win work from different clients, provided the specialist skills are required' (Gruneberg and Hughes, 2006).

'usually fail[ure] is very high' and is due to 'inadequate management of the problems affecting joint operations' (Lajara *et al.*, 2003).

Rubery *et al.* (2003) demonstrated in multi-employer environment where contracting and re-contracting predominates; the management is characterised by tensions and contradictions. It is unavoidable when there is a mismatch between internal firm resources such as 'skills, competency and value' and external 'constraints and opportunities on contracting behaviour' (Rubery *et al.*, 2003). Furthermore, Cannon and Hillebrandt (1989b, p41) said contractors can be disadvantaged of some resources of growth and eventually profitability. Thus Rubery *et al.* (2003) highlighted the usefulness of inter-organisational relations by considering 'what people actually do at work' and 'their experience of work'. Furthermore, Gruneberg and Hughes (2006) suggested that failure can be managed by 'openness and trust between parties in a consortium'. Although implicit, there is a possibility of improvement of working in multi organisational setting- consortia by adopting a good management practice based on trust. Since, it leads to another area of research it will be not be addressed.

#### 3.4.3.2 Partnering

Partnering is basically a relationship formed at company level with clients/customers, Gruneburg and Hughes's consortia are included. In the absence of a explicit definition, this study consider partnering as a structured management approach formed between the construction companies and their clients/customers but not parental or associated companies, designers or suppliers. This is in line with Dainty *et al.* (2001a) 'many positive examples can be found within the literature of partnering ventures between main contractor and their clients, but examples of partnering agreements with production subcontractors and material suppliers are less common'. This arrangement can be applied for one project or it can be used by the same team for a given period of time or for a series of projects thus, promoting continuous improvement by applying lessons learnt from one project to the next.

Wood and Ellis (2005) stated that partnering 'provides a major opportunity for improving project performance, whilst offering direct benefits to the whole of the supply chain'. However, there are limitations in practice. Bresnen and Marshall (2000b) described limitations including that a fully fledged collaborative approach did not appear to be necessary or desirable or feasible, the use of financial incentives and understanding the process among users. The reason for those limitations being 'people and relationships were considered to be the heart of collaboration, but that lack of continuity of relationships (at company, team and individual levels) frequently undermined attempts to secure the full benefits of collaboration and to transfer experience across projects' (Bresnen and Marshall, 2000b).

However, what is central to partnering is 'a determination to move away from adversarialism and litigation and to resolve problems jointly and informally through more effective forms of inter-firm collaborations' Bresnen and Marshall (2000a). This supports the idea which was recognised by Latham (1998) and Egan (1994). Although, conceptually partnering aims to build a win-win situation for all parties on a long-term basis, however, 'even with long term partnering, since collaboration depends so much on individual behaviour' (Bresnen and Marshall, 2000b). Thus, there is no guarantee of absolute win-win situation.

Pokora and Hastings (1995) described partnering as a 'very much an attitude of mind and one that requires fundamental changes in behaviours that have categorised the construction industry for the last 25 years'. Unfortunately, industry has not seen much behavioural change as 'some of the traits that have characterized the construction industry for many years are still apparent and genuine trust seems some way off' (Wood and Ellis, 2005). Therefore, to achieve better results in partnering the industry needs to 'challenge conventional thinking and explicitly recognize the need to balance relationships and commercial issues' (Wood and Ellis, 2005).

#### 3.4.3.3 Supply chain

This study considers the supply chain as a facilitator in a strategic approach to establishing a long-term relationship of different companies (designers, contractors (main and sub), suppliers, manufacturers) to execute projects. But the literature draws a division on this as Akintoye *et al.* (2000) described supply chain as a relationship between the main contracting company and its client and (Briscoe and Dainty, 2005) described it as a relationship between all parties involved in the construction production. However, there is no dispute of the aim as all agree that the main aim of supply chain is to deliver value for money for the client (Briscoe and Dainty, 2005; Akintoye *et al.,* 2000). The duration and form of existence of supply chain relationships will be regulated by the type of contract in a project (Briscoe and Dainty, 2005).

Supply chain management is described as a 'boundary spanning discipline' which requires 'coordination and collaboration of functions within the enterprise and between enterprises' (Sanders, 2009). Furthermore Akintoye *et al.* (2000) considered supply chain management as 'the process of strategic management of information flow, activities, tasks and processes, involving various networks of organisations and linkages (up-steam and downstream) involved in the delivery of quality construction products and services through the firms, and to the customer, in an efficient manner'. Therefore the relationships between members are significant. Stading and Altay (2007) identified that 'supply chain partners generally acknowledge the pivotal importance of relationship management, but often, default to conventional measures that are mostly founded on easily quantifiable criteria like price, delivery and quality'. Briscoe and Dainty (2005) identified 'lack of desire to engender trust', 'significant attitudinal barriers' between main contractor and sub-contractors in supply chains hinder its success. Similarly Dainty *et al.* (2001b) said there are 'serious concerns among subcontractors that point towards a fundamental mistrust and scepticism within existing supply chain relationships'.

Supply chain addresses the integration; a shortcoming identified in the industry in section 3.5.1. 'Integration is strongly reliant on the philosophy of supply chain management' (Briscoe *et al.*, 2004). On the one hand, Briscoe and Dainty (2005) identified that 'the

large number of supply chain partners and the significant level of fragmentation limit the levels of integration that are achievable' in the construction industry. On the other hand, Price (2003) said the 'construction industry has experienced increased integration of its supply chain'. Consequently, 'construction organisations are concentrating on focus strategies, such as: partnering; certain regions; the provision of high added value skills by downsizing to core competencies; design and build; build operate design; PFI projects and specific construction sectors such as building' (Price, 2003). Therefore, supply chain relationships, if managed well, have the potential to develop continuous improvement within its processes, people and ultimately producing a valued product.

#### 3.4.3.4 Sub-contracting

Humphreys *et al.* (2003) suggested that the tradition of medium-sized contractors to employ direct labour at projects has disappeared in the UK construction industry. Instead companies frequently use sub-contractors to do construction production, therefore medium-sized companies 'now provide only the management and coordination activities of the project' (Humphreys *et al.*, 2003). Thus sub-contractors are subjected to undue pressure for quality and cost in their services. A new perspective has emerged recently and now construction companies prefer to be engaged with their sub-contractors in a long-term partnering basis rather than the traditional lowest cost driven approach. This supports Latham (1994) and Egan (1998) who identified requirements to change and improve construction industry.

Partnering between the main contractor and sub-contractor/s can offer benefits to all parties. Those benefits were identified as 'lower costs, improved team approach and less confrontation' (Humphreys *et al.*, 2003). However, Greenwood (2001) said that in a majority of sub-contractors, a partnering relationship with the main contractor is traditional and cost driven, and a minority of sub-contractors and main contractors accommodate a casual relationship approach.

### 3.4.4 Project performance criteria

This section discusses project performance criteria which were perceived by interviewees as capable of influencing the BP in a company.

#### 3.4.4.1 Client/customer satisfaction

This is not a new concept in the UK as Egan (1998) and Latham (1994) repeatedly drew attention to companies' need to identify the client/customer requirements. As a result Forsythe (2007) reported that the 'construction industry is beginning to increasingly recognize customer satisfaction as a means of achieving competitive advantage in the market place'. Furthermore, it is a basic requirement to develop successful BP in a company (Morgan and Rego, 2006). Therefore, companies are aware of different aspects of economic (hard) and non-economic (soft) aspects which are necessary in delivering client/customer requirements. Examples for economic aspects are – engaging in marketing, quality assurances in contractual agreement and non-economic aspects are – relationships based on professional understanding and collaborative nature in handling construction process.

Yasamis *et al.* (2002) said that client satisfaction and quality of construction production is directly related to one another. However, Hughes (2006, p355) identified that '[t]he problem of client satisfaction is more closely related to marketing than it is to quality management'. Clients in the industry can be categorised in numerous ways: public and private or existing, past and future or good and bad. Therefore, there is no fixed definition for client/customer satisfaction in construction due to its individualistic and situational nature (Forsythe, 2007).

From another perspective, Betts and Wood-Harper (1994) argued that a 'range of new customer-oriented theories' such as 'BPR[12] in particular' should be considered in the construction industry to be in line with 'rapidly changing and innovative theoretical business context'. In such an environment, Morgan and Rego (2006) confirmed that 'customer feedback metrics are valuable in predicting firms' business performance'.

[12] BPR refers to business process reengineering. It is a management approach using technology to improve the efficiency of business processes in a company

There are different methods available to measure client/customer satisfaction in practice. Performance measurement frameworks such as KPI and EFQM have included provision to measure customer satisfaction.

In addition to the customer satisfaction frameworks, Ryd (2004) said that design brief documents 'act as information carriers during the design and production phases in construction'. Thus it can be used to introduce customer satisfaction requirements at early stages and to influencing BP in a company. In agreement, Lindahl and Ryd (2007) highlighted 'briefing and project management' concept to satisfy client requirements in construction. It is expected to address the problems of inadequacy in project managers' participation of activities and inadequacy in clients' knowledge hinders the innovation required to 'communicate core business needs to construction prerequisites' (Lindahl and Ryd, 2007). Therefore, briefing concept acts as a tool for collaborative working (Ryd, 2004).

"Customer delight" is another tangential concept to "customer satisfaction". Rust and Oliver (2000) placed this concept 'on a firmer psychological footing' where a 'positive emotional state generally resulting from having one's expectations exceeded to a surprising degree'. They identified that, customer delight 'is likely to be profitable if customer satisfaction can be maintained at the higher expectation levels caused by assimilated levels of delight' for a company and a customer. Consequently, 'it will attract more customers from other companies' and also these 'programmes are increasingly expensive to the firm'. However, Rust and Oliver (2000) identified an issue, by 'delighting the customer "raises the bar" of customer operations, making it more difficult to satisfy the customer in the next purchase cycle and hurting the firm in the long run'.

### 3.4.4.2 Quality

Quality is a complex issue in a company and depends upon the company strategy and skills of those who are actively engaged in it. Therefore quality of work can be a variable; thus, to manage quality of work in construction companies employ quality assurance (QA) systems such as ISO 9000. However, a management approach which focuses on

supplying customers with quality products and services is the key to improve BP (Oakland, 2005). McCabe (1998, p14) said 'total quality management (TQM) is a less formal approach than QA'. Nowadays, companies tend to develop a relationship between quality of construction production and BP through long-term partnering and supply chain arrangements. Thus a "quality route" was favoured as an alternative to a "strategy route" in a construction company which is known as a business in a social setting. However, Sommerville (1994) criticized the construction industry for not realizing the potential benefits of TQM.

- **TQM, frameworks and links to BP**

'In the early 1980s... organisations in the West started to be seriously interested in quality and its management' (Oakland, 2005). Thus, '[i]ncreasingly organisations are recognizing the strategic importance of quality and quality management' (Anderson *et al.,* 1994). However, '[q]uality management should not be practiced in isolation from other initiatives but form an integrated part of an organization's overall strategy' (Price 2003).

The 'Total Quality Management (TQM) has become a part of business thinking and many companies in the Western world (including those in Australia) have adopted this concept in some form' (Sharma and Gadenne, 2002). Therefore, the TQM approach was developed and integrated into business and organisational excellence through different models. McAdam and O'Neil (1999) summarised the TQM approach as- '(1) it is strategically linked to the business goals. (2) customer understanding and satisfaction is vital. (3) employee participation and understanding at all levels is required. (4) the need for management commitment and consistency of purpose. (5) the organisation is perceived as a series of processes which incorporate customer supplier relationships'.

Since the launch of the TQM approach, many quality frameworks have appeared for the use of different industries and organisations. Among them, the most popular are the American Baldrige model, Europe's EFQM excellence model and Kaplan and Norton's Balanced Scorecard. All of those models followed an early example from Japan; the

Deming Price model (based on the philosophy of plan – do – check – act) in 1951 (Oakland, 2005).

The literature demonstrated that the strategic importance of quality has been considered together with business excellence in many quality control frameworks including the EFQM framework. Price (2003) said '[m]any of the tools and techniques used within strategic management today have their origins within quality management'. Thus, TQM frameworks are capable of self-assessment, benchmarking and delivering improved performance in organisations (Oakland, 2005; McCabe, 1998 p182). Those frameworks which are able to improve quality are compatible with the control view of management (Dean and Bowen, 1994). Therefore, it facilitates continuous analysis of experimenting and improvement cycle.

'Total Quality Management (TQM) has been a key business improvement strategy since the 1970s, as it has been deemed essential for improving efficiency and competitiveness' (Hafeez *et al.,* 2006). Freiesleben (2005) stated there are financial benefits of TQM because 'quality improvements benefit a company both in terms of costs and revenues'. Furthermore, Anderson *et al.* (1994) stated that organisations have realised that 'quality management can enhance their competitive abilities and provide strategic advantages at the marketplace'. Thus, TQM covers "overall performance" of a company other than its TQM concept.

The above explanations indeed provide a correlation between TQM and BP as it is an integral part in overall performance of a company thus, the selection of the EFQM framework as the tool to access data in this study. However, Price (2003) identified the 'alignment of strategic management with different quality initiatives is not easy to achieve'. Therefore, it might be a reason that none of the companies investigated employed the EFQM framework to develop business in spite of all the advantages listed above.

To summarise, conceptually the success of a company depends on its overall performance where BP was considered as an important component. However, BP is a

multi-faceted concept which is often discussed but neither described nor defined. Therefore there is a need for a stable definition for BP. Thus, the next section investigates performance in the construction industry, company and project/s to set the scene for this inquiry.

## 3.5 Research milieu

### 3.5.1 Different views in construction

Research into construction has taken numerous directions. Some related to this inquiry analyse construction as a pre-determined model, a comparison between different industries or as complexities and uncertainties within the construction industry, company and its projects. This is a vast area, thus this literature review deals with few of those studies which were selected through analysing the authors' work in the relevant area.

Koskela (2003) perceived construction as 'one-of-a kind nature of projects, site production and temporary organisations'. It has been further refined as 'construction is a complex production of one-of-a-kind product undertaken mainly at the delivery point by cooperation within a multi-skilled ad-hoc team' (Bertelsen and Koskela, 2004). The production processes is observed by clients/customers and all interested parties, this can be a reason to brand construction as a complex industry as a whole. This perception was the general norm in the industry. Some of those complexities in the construction industry, companies and projects were revealed in Chapter 1, section 1.2.

Koskela (1992) analysed the nature of construction using the production philosophy which has its roots in the manufacturing industry. In line with this Ballard and Howell (2003) said construction '[p]rojects are temporary production systems'. To make production more efficient, Koskela (1992) argued that activity based model in construction need to be reconceptualise as a flow based model.

Furthermore, the root cause of poor performance in the construction industry is related to the way of thinking and managerial principles used (Koskela, 2000, 1992). Thus, Koskela (1992) argued why the construction industry cannot adopt similar managerial principles

from manufacturing industry; 'rather than seeking isolated solutions' to over come some of the shortcomings. This argument was shared by other researchers namely Flanagan, Kagioglu *et al.,* Ballard and Howell. However this notion, where construction is analysed as a mechanistic production has been criticized by Winch (2003) due to reasons including (1) 'final product is assembled *in-situ'* (2) product design is excluded from the industrial definition, while maintenance is included. Furthermore, Winch (2003) and Green and May (2003) questioned the suitability of exporting such tried and tested ideas from manufacturing to construction due to the nature of the construction industry, its processes and involvement of people.

Koskela (1992) led the concept that construction can learn from other manufacturing industries and introduced the application of the new production philosophy – lean production principles in construction. Then Ballard and Howell (2003) introduced 'lean project management' in construction. Ballard and Howell's study concluded as '[a]pplying that new way of thinking to project management appears to offer opportunity for performance improvement comparable with those achieved with the change from mass to lean forms of manufacturing'. So Koskela (1992) and Ballard and Howell (2003) argued that construction industry can adopt solutions from Japanese and Western manufacturing philosophies. Furthermore, Dainty *et al.* (2001a) stated '[i]n 1998, a government-sponsored review of the UK construction sector called for the adoption of initiatives from manufacturing industry in order to increase productivity and reduce costs'. However, Koskela, Ballard and Howell's expectations of construction to be in the same model like any other manufacturing industry is inappropriate due to the nature of their continuous work in evaluation of construction.

On the one hand, those researchers' evaluations demonstrated that the managerial and organisation development in construction industry is quite different to that of general manufacturing. In other manufacturing industries activities are co-ordinated, controlled and managed based on top-down routine processes. The repetition of such processes over many cycles eliminates all inaccuracies. Therefore, they deliver effectively with the most profitable outcomes under varied managerial principles. However, the fragmented and

diverse nature of the construction industry has made this linear and planned delivery impossible as it is closer to the natural world with regard to its varied processes adopted specifically at construction production.

On the other hand those researchers' evaluations on construction projects have demonstrated a number of distinctive differences such as theses construction projects are: uncertain – weather conditions, high labour intensity nature; fragmented – many people are working in a work site but they are not attached to the same organisation; unique – not possible to correct many mistakes due to its *in-situ* nature; and complex – construction process has so many sub-processes due to the nature of its diversification. Therefore, the nature of construction projects and the fragmentation of the construction industry undertaking those projects have effectively resulted in non-linear and highly variable processes in a construction company.

Supporting these Flanagan (1999) compared construction with automotive and aerospace sectors from the point of view of research and innovation and said '[t]he construction sector thinks its problems are unique - in reality they are not'. Flanagan's comparison of three sectors is comprehensive and appears in table 3.1 below.

Table 3.1- Comparing features of the three sectors (Flanagan, 1999)

| Automotive | Construction | Aerospace |
|---|---|---|
| Product and customer led | Project led and price sensitive | Product led |
| People are trained to think of product lines | People are trained as project thinkers, moving from project to project | People are highly trained to think of product lines. |
| Strong emphasis on sales and marketing | Little emphasis on sales and marketing | Strong emphasis on sales and marketing |
| Diverse customer base focused upon standard products from few producers | Highly diverse customer base - with both public and private sector | Small customer base where customers are an integral part of the process - in both public and private sector |
| Design and production highly integrated using IT systems | Design and production normally separate with defined and separated responsibilities | Design and production highly integrated using IT systems |
| Major subsystems outsourced from major suppliers | Outsourcing is growing in every respect | Major subsystems outsourced from major suppliers |
| Small number of preferred suppliers | Fragmented supply chain with only a small number of preferred suppliers | Small number of preferred suppliers |
| Trusted long term relationships | Adversarial relationships | Trusted long term relationships |
| Factory based workforce that is semi-skilled | Trade based workforce which changes with every project | Factory based highly skilled workforce |
| Global product development | Some global products, mainly sourced locally | Global product development |
| Whole life cost and performance and recycling very important | Whole life costs not always considered fully during design | Whole life cost and performance, Integrated logistic support is very important for aircraft maintenance |
| Servicing, maintenance and after sales care seen as an integral part of the process | Maintenance seldom undertaken by contractor | Servicing, maintenance and after sales care seen as an additional product |
| Purchasing based on service and reliability of performance | Tendering normally decided on price - not value | Small customer base |
| Integrating product technology and working with the supplier to get continuous improvement | Suppliers tend to achieve continuous improvement despite fragmentation with their customers | Integrating suppliers' product technology and working with them to get continuous improvement |
| Suppliers involved from concept to assembly | Suppliers rarely consulted early in the design phase | Suppliers involved from concept to assembly |
| Customisation of the standard product | Highly customised product - often unnecessarily | Customisation of the basic product |
| Prototypes tested in the computer prior to production of test model | More knowledge-based engineering and intelligent CAD used to 'test' electronic prototypes | Prototypes tested in the computer prior to production of test model |
| Environment, safety, and security coming to the top of the agenda | Environmental and safety issues increasingly important drivers | Safety and security important, environment coming to top of agenda |
| Electronic transactions - extensive use of automatic identification (auto-ID) | Communication paper-based | Electronic transactions and wide use of CAD/CAM |

Thus, Flanagan (1999) suggested that the construction industry should think about '(1) The separation of design from production and assembly in the construction process hinders the flow of R&D[13] that resides with the myriad companies in the supply chain. There is no physical link between suppliers, component manufacturers and designers. (2) The contractors are placing more and more emphasis on the specialist contractors yet they have no link with the people who design projects - this is the reverse of what happens in the automotive and aerospace sectors. (3) We have to move from short-term project-based thinking to long-term product-based thinking'. Though the product-based approach has subjected to disagreement from some critics; what is apparent from Flanagan (1999) is that construction sector lacks long-term thinking in construction process and integration between parties involved compared to the other two sectors. Similarly, Morris (2004, p1351) said 'poor integration between project participants' needs to be well managed.

From another perspective; the lack of integration in company and project has been identified by researchers as a main shortcoming responsible for poor performance in construction. From a knowledge based study in technology transfer between out-of-industry (far and near) research, Barrett and Sexton (1999) recommended '[a] central strategy to elevate performance has been for the construction industry to learn from these better performing industries through effective technology transfer'. They considered the 'process protocol maps'[14] used in the manufacturing as far out-of-industry and 'the builders merchant' which can be used by estimators to get their pricing correct, as near out-of-industry. Builders merchant is an IT system to 'enhance customer care by providing customers with product pricing information and ordering facilities, and to generate internal efficiency gains' (Barrett and Sexton, 1999). The identification of lack of integration between company and project caused poor performance thus recommended that improvement in integration which is central to the company is required. The reason given is, '[c]ompanies, not projects, are the only credible focus for change in the

[13] R&D stand for Research and Development

[14] University of Salford (1998), presented a process protocol, which considers the whole lifecycle of a construction project whilst integrating its participants under a common framework. This identifies the various phases/gates of a construction project with particular emphasis to the stages in the manufacturing industry. Instead of teaming up different disciplines or roles in construction they have considered a categorization based on activities to create a cross functional team in design and construction. It also includes decision-making mechanisms from a client perspective.

construction industry'. Furthermore, Barrett and Sexton (1999) emphasized the importance of the construction company as '[i]n all this the company is central and the major thrust is to move these firms from reactive imitation or the defensive routines of structural innovation to a position of deeper understanding – of enhanced wisdom'. This identification supported Flanagan's finding; that construction lacks long-term thinking and integration.

Although, Ballard and Howell (2003), Flanagan (1999) and Koskela (1992) argued that construction should look to manufacturing to make improvements, Kornelius and Wamelink (1998) said that manufacturing can learn from construction. Kornelius and Wamelink studied manufacturing and construction industries in the area of co-operation in networks. They identified the main difference between manufacturing and construction as the 'customisation and outsourcing' and further said that manufacturing is changing to a 'virtual corporation' where '[c]urrent investment goods manufacturing sees more than 70 per cent of the value of the product added not by the manufacturer of the final product but by other manufacturers'. The construction industry has engaged in outsourcing in value adding business for a long time and has tried and tested different means of inter-organisational relationships. Therefore '[m]anufacturing should learn from construction, that only if parties agree to co-operate, not only during one project, but aim at re-occurring relationships, in different projects, can advances be made towards controllable inter-organisational co-operation' (Kornelius and Wamelink, 1998).

Above identification is in line with construction production is 'a cooperation within a multi-skilled ad-hoc team' (Bertelsen and Koskela, 2004). However due to a lack of co-operation of teams at production/project level much past literature recognized and identified construction production as a complex process (Barrett, 2005; Bertelson and Koskela, 2004; Bertelsen, 2002, 2003). This can be due to the fact that temporary project organisations 'does not promote learning' because, 'no guarantee of further contacts among team members' (Dubois and Gadde, 2002). Furthermore, 'there is no input of commonly shared experience of other building processes. Each member of the building team brings little more than his own accumulated experiences (and prejudices) to bear on current problems' (Crichton, 1966 p22). However, even if the same team attempts to

mange construction production in several projects co-operatively the diverse requirements of projects might give rise to different perspectives in management of projects thus creating different management approaches. Within different management approaches, the co-operation between the same team doing different projects might not be the same. Therefore it is argued that different requirements in projects make the responsible parties (who were in the same team previously) to manage them with different perspectives might create apprehension between parties as to the co-operation factors.

As a consequence of this uncertainty in co-operation at project level and apprehension in management of those projects have created lack of integration of projects and company. Thus leads to the identification of a disparity with conceptual shortcoming between company and project. However, this has made project management a primary requirement in construction companies making company requirements secondary. This research is an attempt to remedy this situation. The importance of integration of company over the project has been discussed by other researchers. This integrated approach to construction process has been notably promoted by Barrett (2005) introducing revaluing construction and by Morris (2006) introducing management of projects.

#### 3.5.1.1 Integration through management of projects

The changes in the construction industry, companies and projects are considerable with time. Some changes reflected in approach to management of project/s are: the introduction of lean project management (Ballard and Howell, 2003), supply chain initiative (Briscoe and Dainty, 2005; Akintoye *et al.*, 2000), partnering (Wood and Ellis, 2005; Bresnen and Marshall, 2000b) and management of projects (Morris, 2006). Of those different initiatives, management of projects through portfolio and programme management appears to address the disparity of conceptual and empirical shortcoming between company and project whereas the other three focus mainly on the empirical aspect of integration. Morris said that management of projects 'provides a holistic approach to managing projects, and programs, from their earliest stages to their last in order to deliver business benefit' (Morris, 2005).

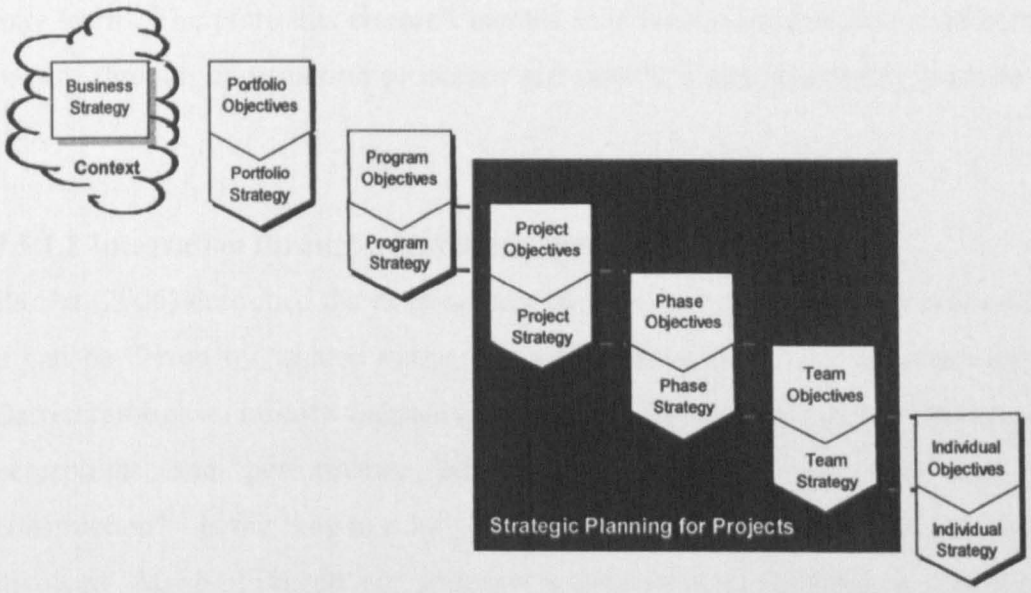



Figure 3.4 – Linking corporate and project strategy (Morris and Jamieson, 2002)

The notion of "management of projects" has been considered as the brain child of 'Morris and Hough 1987 and Cooke-Davis 2004' (Morris, 2006). Morris (2006) further demonstrated that this perspective has considered 'the importance of managing contextual and definitional aspects of projects in addition to the usual execution, planning and control type issues' as illustrated in the figure 3.4 above. This demonstrates that processes in the company and project can be integrated with one another using management of projects.

Above is an example for the functional management approach to projects. But this functional approach used conceptual and empirical aspects in dealing with management of all processes at company and project levels. Thus, an issue is identified; whether processes can integrate the company and its projects without considering the people who are doing those processes due to the absence in discussion of people by Morris. However, CRISP (2001) confirmed that '[a]ppropriate processes in supporting the role of the project team in achieving project success reflects the importance of people issues and how organisations and their staff and clients address process improvement. A key step in

this process is the internalisation of information from different projects from which others may learn'. Therefore this research intends to articulate the integration of company and project through construction processes and people which eventually leads to construct BP.

### 3.5.1.2 Integration through revaluing construction

Barrett (2005) described the development of the construction industry will be possible if it can be driven by 'shared vision amongst stakeholders'. The approach described by Barrett through an infinity diagram (figure 3.5) facilitated management of construction by perceptions and performance jointly. Barrett (2005) identified that "revaluing construction"[15] is the 'key to a long-term, sustainable resolution of the interests of those involved'. Much of Barrett's prescription is diverted at institutional level rather than level of particular companies.

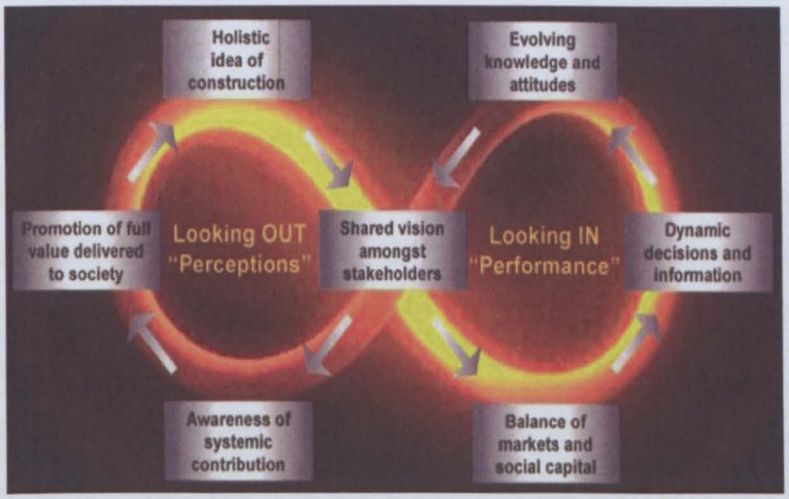



Figure 3.5 – Global agenda for revaluing construction (Barrett, 2005)

Barrett described that construction can be improved using seven major factors as shown in the figure 3.5 above. By appreciating the diverse nature of the industry, Barrett (2005) stressed that there is a need to create a balance between various factors to enhance

[15] Barrett (2005) defined Revaluing Construction as the maximisation of the value jointly created by the stakeholders to construction and the equitable distribution of the resulting rewards between those created it.

performance and perceptions in construction. He identified the 'balance of markets and social capital, dynamic decisions and information, and evolving knowledge and attitudes' as factors influencing the performance. The perceptions of the industry are useful to facilitate performance and need to be broader than 'existing categorizations, mindsets and images' (Barrett, 2005). Thus, he considered 'awareness of systemic contribution, promotion of full value delivered to society and holistic idea of construction' as factors influencing perceptions. Those six factors are held together by the shared vision amongst the stakeholders in revaluing construction (Barrett, 2005).

#### 3.5.1.3 Change in approach

Both of the above holistic notions, management of projects and revaluing construction, appear to be beneficial to the industry. It is surmised that when scale-up management of projects and scale-down revaluing construction converge at company level and it has the capacity to include all construction process as a whole without dividing them as project and company responsibilities separately. Therefore by adopting a change to our vision and doing construction production in line with a company initiated management process; there shall be scope to change the poor image of construction industry as described by many researchers. However to make the overall company process to be effective there need to be a series of sub-processes in line with the systems theory. Such sub-processes need to be managed with the aim to develop business success for the company. This notion is in line with 'the importance of the Front-End' (Morris, 2005) and 'shared vision amongst stakeholders' (Barrett, 2005).

For such a change to take place in the industry and to be highly valued by the society; might take long duration of time. Although construction industry has undergone some change, Foresight (2001) emphasised 'the need for Government, professional and trade bodies, academia and the financial institutions to work closely with the construction industry to determine how best they can help the sector to deliver the changes that all of society can benefit from in the future'. It indicated still construction lacks the integration and stressed that 'the key to the future lies in achieving an integrated approach throughout the entire construction process' (Foresight, 2001). Two of the suggested

measures in Foresight (2001) relevant to this inquiry, amongst many more are 'enable supply chain integration' which covers the construction process and 'invest in people' which encapsulates the relationship between process and people. Therefore, this inquiry is an attempt to update the body of knowledge through empirical data how construction companies create BP working at company and project levels using processes and people.

To summarise the above, where researchers have described that the uncertain nature of construction process create complex nature in project processes and also complex nature of project processes create uncertainty in the construction process resulting lack of integration in a company as a whole. It has identified the different dimensions of lack of integration. This feature originated as lack of integration of different parties involved; creating a lack of integration between construction process as a whole, thus, resulting lack of integration between company and its project/s. This made construction 'indeed a nonlinear, complex and dynamic phenomena' (Bertelsen, 2002). Therefore, in such a situation; existence of a construction company in the market appears to be vulnerable.

### 3.5.2 Disparity of company and project

Crichton (1966) described company works on formal systems obtaining projects and planning of those projects to execute effectively without recognising the interdependent and uncertainty nature of those projects. Therefore, it created a disparity between company and project operations and management. Winch (1989) maintained that CM and project management were two different concepts. His analysis of the construction firm and the construction project using different theories established 'the effective management of the construction project is of central interest to us all, that aim depends first upon the effective management of the firms which contribute to that project'. He also stressed the importance of construction firms over construction projects because 'the project is a temporary organization, while the firm is a continuing capacity to create the built environment'.

However, '[c]onstruction activities – and, hence, the processes – are determined significantly by the project, not by the firm' (Groák, 1994). The sources of uncertainty

for construction firms are found 'within the project, and in the way projects are awarded' (Winch, 1989). He discussed four types of uncertainties and they are task, natural, organisational and contracting. These uncertainties lead to reactive management practice in construction companies (Loosemore, 1994) which has not been considered favourably by the critics (Koskela, 2003; Barrett and Sexton, 1999; Koskela, 1992). Therefore this disparity in the construction industry has led many researchers to study different characteristics in construction companies and its project/s. Such research (Phua 2007; Phua, 2006; Bassioni *et al.*, 2005; Winch, 1989) informed separation of project and company with respect to their operations and management aspects.

Conceptually, project management literature is presented as a linear and orderly set of activities. Bertelsen (2003) stated that it 'is a fundamental mistake' and further said that 'project management must perceive the project as a complex, dynamic phenomenon in a complex and non-linear setting'. However, Groák (1994) said that such 'implication which seems not fully explored in the general rise of project management in construction'. Gidado (1996) defined project complexity as 'the measure of the difficulty of implementing a planned production work flow in relation to any one or a number of quantifiable managerial objectives'. Thus, this inability to implement managerial objectives at project level can affect the economical development of a company. Phua (2006) identified that 'particularly for a developing academic discipline like construction management (CM), understanding the sources of construction firm performance and hence, firms' ability to derive sustainable economic profit would seem to be a warranted requirement'.

Unfortunately, neither CM nor project management as academic disciplines recognised to determine favourable performance characteristics which integrates company and project to create long-term business opportunities. Issue identified here is that, projects are important to construction companies; they are complex and uncertain temporary activities and however, the construction company handling such activities are expected to outlive the temporary projects to create the built environment. Therefore, integration between project/s and company appeared to be an imperative factor.

### 3.5.2.1 Analysis of company and project

Modig (2007) identified a requirement for integration, '[i]f a large part of the work is undertaken in a project is similar to that of other projects, sharing of resources and knowledge through a stationary organization becomes attractive'. This indicated, if companies choose their projects to be in similar context such as type of work; a company can benefit from integration of project/s and company by sharing knowledge and resources. From an organisational point of view, Shirazi *et al.* (1996) identified that organisational design in construction is conscious about 'most effective and stable patterns of interaction between firms which operate within the project organisation. Therefore to achieve project objectives they said the organisational structure 'links technology, tasks and human components through formal and semi-formal means' (Shirazi *et al.*, 1996). This method also has the potential of integrating company and project. Then from a strategic management point of view, Morris (2004) identified the 'growing recognition in recent years of the value in managing more systematically the linkage between business strategy and project strategy'. Therefore, integration of company and projects are possible through type of work, organisational structure and systematic management of business and project strategies.

However, Bertelsen and Koskela (2005) argued that 'the complexity increases dramatically by the fact that the production system – the project organisation – is sharing its resources with any other project the participating parties may be involved in'. A reason can be the identification of 'construction as a whole – but particularly the building and civil engineering sectors – were to miss out the formal knowledge that is available on the management of projects' (Morris, 2006). Additionally, problems in integration can be the result of considering company and project as stationary and temporary organisations respectively. However, in reality, a project-based industry like construction 'manage business activities both in intra-organisation as well as inter-organisation or network context' (Sandhu and Gunasekaran, 2004) which is in line with Winch's analysis of the construction industry.

Modig (2007) analysed the temporary and stationary organisations to model the impact of project characteristics on logistic solutions in temporary settings. Modig's study explored four case studies in four industry sectors – defence, construction, media and a stage event and identified 'variation in employment forms, work processes and resource network used' in different sectors. However, Modig concluded that '[s]tationary and temporary organisations fulfil different roles therefore they coexist'. In line with (Bertelsen 2002; Groák 1994; Crichton 1966), Modig said '[w]hen a task is associated with a great deal of uncertainty and complexity, projects are more likely to run by "pure" temporary organisations' which reflects the general understanding of the construction industry as explained in Chapter 1, section 1.2. Modig defined pure temporary organisation as 'freestanding organisation that are set up to run specific projects before being dissolved, form the end points'.

The above different motives regarding construction company and project from organisational and management aspects have made this research to investigate the relationship of construction company and its project/s through perceptions of BP of the senior managers in construction companies. The reason to select BP as the focus in this inquiry (Chapter 1, section 1.3) is further supported from the existing research where BP appeared as a useful aspect which has been represented and discussed at both levels. Therefore it is expected to have the potential to generate useful findings in integrated management approaches at construction companies working at both levels. Thus, this inquiry visualises that a medium-sized construction company as an 'intra-firm and inter-firm organisation' where processes and relationships are the most useful characteristics (Winch, 1989).

### 3.5.3 Formation of the research inquiry

The lack of integration of projects and company has made project management a key theme neglecting the company related processes in construction companies. This disparity leads to a conceptual shortcoming between company and its project/s has been observed by other researchers in different dimensions. This section examines such research in line with this inquiry using a theme construction companies' main efforts are

in monitoring, controlling and managing temporary organisations – projects; thus neglecting the management process of the company (Phua, 2006; Bassioni *et al.*, 2005; Dubois & Gadde, 2002; Handa & Adas, 1996; Winch, 1989).

All above researchers identified a disparity between project level performance and the contractor's overall BP. They are in agreement that overall BP of a contractor is not satisfactory, and it is also under-researched; although their approaches to this conclusion were different.

Winch (1989) described the difference between construction project and company as; project is a temporary organisation and company is a permanent organisation which can lead to create the built environment. Dubois and Gadde (2002) said that this difference adversely affects the long-term sustainability of companies. They stated that 'tight couplings in individual projects and loose couplings based on collective adaptations in the permanent network... favours short term productivity while hampering innovation and learning'. Myers (2004, p240) described those loose couplings as a disconnection between processes which construction companies need to integrate to achieve better overall performance. Thus, in a construction company there are three layers of processes which need to be integrated; individual company's own processes, coordination of processes across companies within a project and the development of the supply chain (Myers, 2004 p240).

The CM research consists of research on construction industry and above described three layers in a company. However, there is inadequacy of research into company level processes. On the one hand, there was much research into the construction industry little of the research explored the performance determinants at company level (Phua, 2006). On the other hand, most of the research discussed performance determinants at the project level. Bassioni *et al.* (2005) said that there are many different frameworks available in the industry to measure organisational performance. Nevertheless, Bassioni *et al.* agreed with Phua's argument that performance measurement in construction is predominantly focused on project performance.

Although the CM literature supported the view that there is a direct inter-relatedness between industry and contractor specific factors, contractors' overall performance is under-researched (Phua, 2006). Phua (2006) identified two possible reasons for the imbalance as 'the lack of consensus on how firm performance should be measured and the relatively weak theoretical conceptualization and objective operationalization at firm level of the predictors of firm performance.' However, Bassioni *et al.* (2005) stated that some large construction companies in the UK measure their organisational performance using frameworks such as the EFQM excellence model, Key Performance Indicators (KPI) and the Balanced Scorecard (BSC). Handa and Adas (1996) suggested a multivariate model for measuring organisational performance to evaluate and manage organisational performance. However during their research they discovered most managers in the construction industry use mostly financial indicators which do not capture the salient elements of BP which will be discussed in section 4.3.4. Thus, Bassioni *et al.* (2005) concluded the 'issue of measuring strategic performance in construction is relatively untapped, more work is required in this area'.

The above demonstrated disparity between project and company level processes lead to short-term productivity at the cost of long-term stability for a construction company. Given that construction business is placed in a complex and uncertain environment; companies' project work becomes highly volatile and competitive. A construction company's BP therefore becomes a very important factor which determines a company's economic and social success as well as its long-term stability in the industry. To overcome those problems, a construction company needs to discover the integrating factors which contribute towards its BP and project performance as a whole. Thus this inquiry is set to investigate those integrating factors in a company in addition to the project needs and requirements. Furthermore it is the relationship between project and company with respect to company's BP needs to be established to improve sustainability of the construction company. Therefore the aim of this research was "to investigate how senior managers construct BP in medium-sized construction companies" with a set of objectives as discussed in Chapter 1, section 1.4.

### 3.6 Chapter summary

This chapter explored existing research related to the BP of a company in general and in a construction company specifically. The existing literature demonstrated that BP is an important but a complex character which links different disciplines in a company. The complexity in BP further increases in a construction company which operates at both company and project levels to satisfy different requirements.

Therefore, understanding the complexities in the construction industry and companies is required before trying to specify solutions to problems in a complex industry. The literature review suggested that some researchers evaluated the construction industry in terms of a model from the manufacturing industry and suggested changes accordingly. The existing research identified lack of integration in several dimensions such as the different parties involved, the construction process, use of performance measurement frameworks, and company and project. These led to the identification of the construction industry as a reactive industry without a business perspective by some critics.

This inquiry identified a lack of CM literature on company performance as opposed to plethora of project management literature. It also captured some of the changes suggested by researchers which have potential advantages to the construction industry by enhancing relationships such as revaluing construction (Barrett, 2005) and management of projects (Morris, 2006). However, the existing literature demonstrated that there is a significant disconnection in the BP of a construction company and its project/s. The project-based system described does not generate long-term sustainability to the construction company. Although the literature has identified the determinants of BP, it has not described the way in which companies constitute BP from both company and project level processes. Thus this inquiry was established to fill the gap in terms of knowledge about creating BP in a medium-sized construction company and to articulate how senior managers construct BP in medium-sized construction companies.

Therefore, in Part B, the researcher discusses empirical data on perceptions of BP of senior managers in medium-sized construction companies in the English Midlands. It is expected to identify the way different issues, perceived as being important by senior managers of those companies, are integrated to construct BP.

# PART B

## Part B – Findings of business performance in construction

The purpose of this part is to show how interviewees talked about, and, by inference, thought about business performance (BP) and acted in such a way as to manage it in their respective companies. In particular the aim is to show how they saw the relationship between BP, business development and project performance.

In summary, they reported that the distinctive, project-based nature of construction is such that while they recognised, in principle, a distinction between the concerns and activities associated with the management of projects and the management of the business as a whole, in practice, and for the reasons described in what follows, they were in many ways indistinguishable. These findings suggest that the allegations described in the review of literature that construction companies pay insufficient attention to BP are, in important respects, unjustified. Certainly it was found that the collaborative, value-adding work of a company takes place within the varying constraints of individual projects: the attention and energies of most personnel were focused on them. However, this was not at the cost of attending to the long-term concerns and priorities of the business development in companies as a whole. In fact they depend on it partly for future business development.

The ways in which the management of a company and its projects were to a significant extent integrated are now described. Clearly some activities have primary relevance to the business as a whole, for example obtaining contracts, deciding what kind and where to obtain them, obtaining intelligence with which to make such decisions and so on. Other activities relate directly to production and inevitably take place on the project. In simple systems terms these may be referred to as outward directed or inward directed functions. However, much of the time activities and the information and knowledge they generate and employ have a double and interactive significance. For example, relations with a client on a particular contract have consequences for both running that contract and future business prospects for the company.

Thus, though there is inevitable overlap between them, this chapter reflects the following three-way distinction.

- Theme 1 – Doing business at company level
- Theme 2 – Doing business at project level
- Theme 3 – Doing business: the integration of company and project

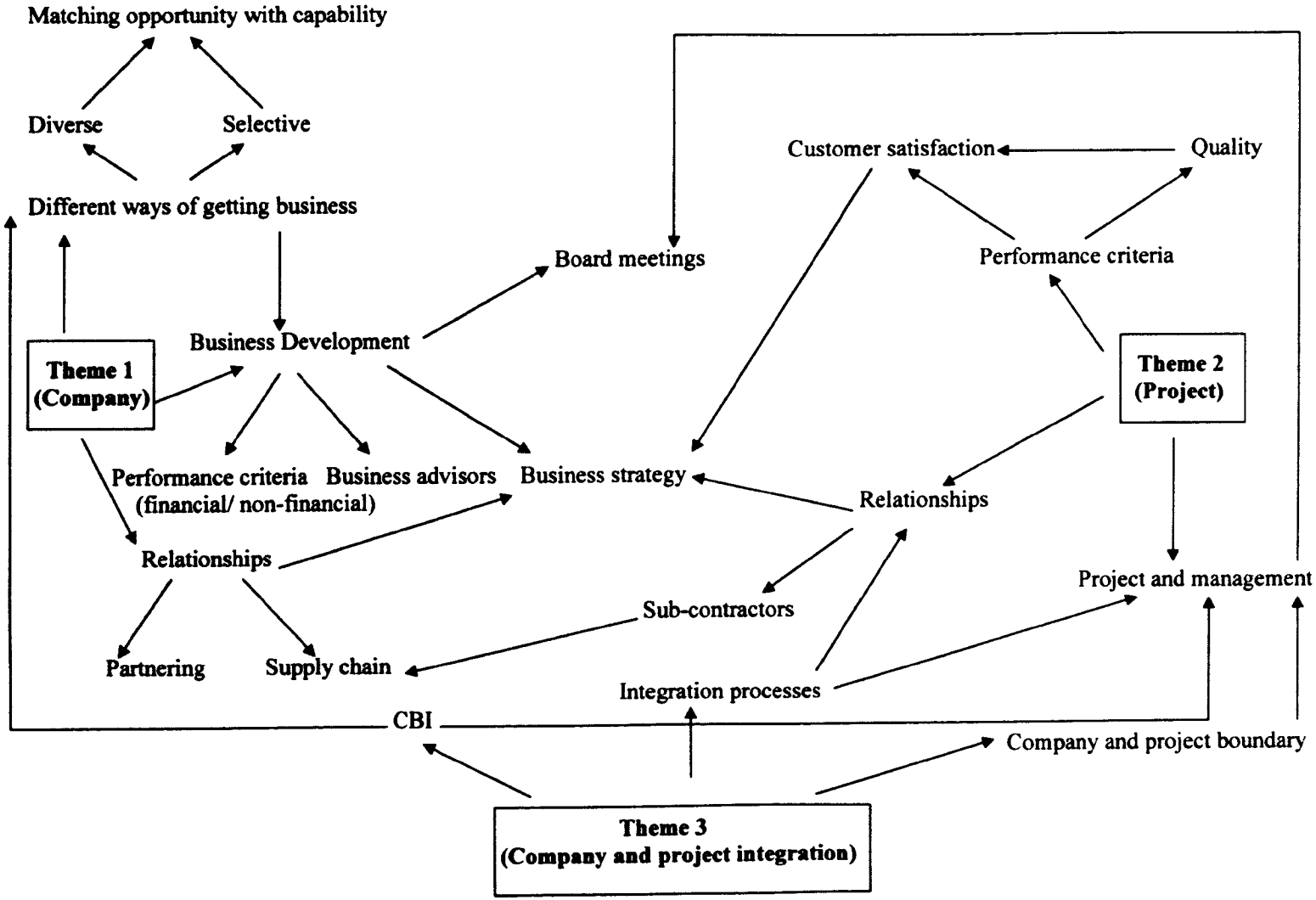
The relations between above themes are illustrated in figure B1 below.

Chapter 4 examines perceptions of interviewees on processes at company level such as different ways of getting business, the way they attend to business development through business strategy, board meetings, business advisers and performance criteria. It also describes the relationships companies make such as partnering and supply chain between different parties and their usefulness towards BP.

Chapter 5 examines perceptions of interviewees of processes at project level such as why project processes are controlled and treated differently from company processes. Then it explores the interrelatedness of the relationships formed through heavy involvement in sub-contractual work and project performance criteria - customer satisfaction and quality of work towards business development.

Chapter 6 examines the ways in which interviewees create BP with doing business via the integration of company and project/s. It enquires into an ambiguous area; the boundary between company and project. It also discusses the degree of integration of project/s and company and the CBI process.

Figure B1 – Connectivity between themes and sub-themes



# Chapter 4 - Doing business at company level

## 4.1 Introduction

The construction industry is divided into building engineering, civil engineering and process engineering (Morris, 2006 p59). Further, within each branch there are numerous sub- divisions where professional/technical capabilities, regulations and resources restrict construction companies in all types of construction. Thus the nine companies investigated (Chapter 2, sections 2.4.2 and 2.4.2.1) considered many factors when selecting their type of work in order to optimise their Business Performance (BP), to develop their businesses and to build a reputation for themselves in their chosen sectors.

Of the nine companies, eight deal with building construction. Of those eight, one company (company C) has changed its strategy from main contractor to sub-contractor in early 2007, whereas the other seven companies are working as main contractors. One company (company B) investigated works as a civil works sub-contractor (refer to Appendix 3, table 3.2 for details of the type of work within these companies).

This section starts with a discussion on two different ways of getting business, how they develop the way of getting business and the relationships between those processes and different parties involved. This leads to understanding of the type of management practices in those construction companies. Furthermore, figure 4.1 simplifies this chapter in addition to the discussion in pp131-132 above and the figure B1.

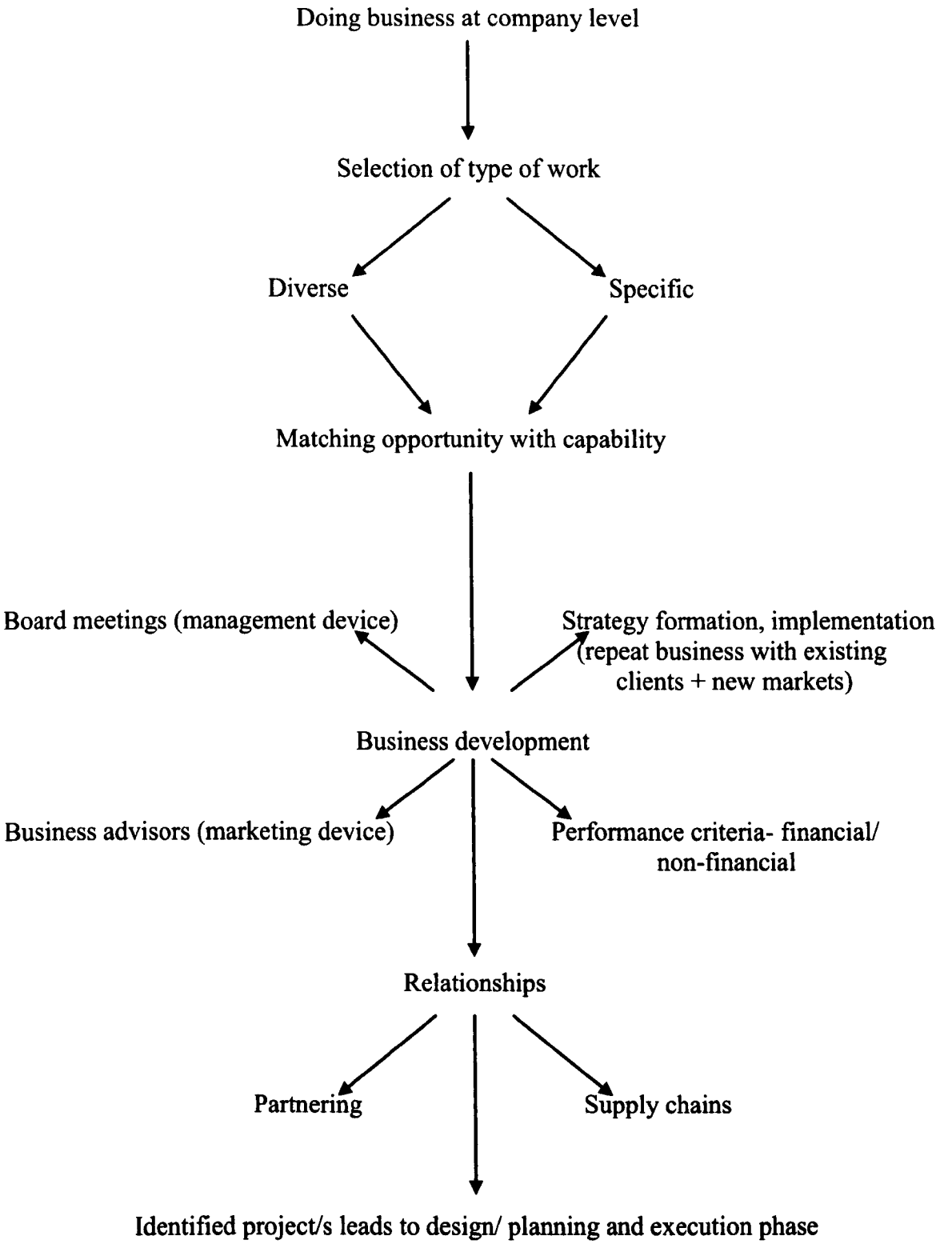



Figure 4.1 – Simplified linear schematic layout of the Theme 1: the company level

### 4.2 Different ways of getting business

This section describes the rationales given by interviewees for undertaking the kind of work they do across this range of possibilities, the processes used for procuring it and the personnel involved in these processes. It was found that the dominant consideration was whether to specialise or diversify.

#### 4.2.1 Diverse types of work

Interviewees F1 and J1 preferred to be engaged with diverse sectors whereas interviewee E1 and J2 preferred niche contracts within that diverse sector.

> *'...we are not predominantly building for schools or hospitals or commercial or industrial. We do some of everything, that's on the basis of, if the market took a down turn in one sector then we are in the other sectors to be able to even out our work load and turnover'* (Interviewee F1, Company F, 2007).

The reasons for the above multifaceted approach by interviewee F1 is identified as, firstly, the variability of demand in the market.

Secondly, their awareness of funding in different sectors.

> *'...the funding of apartments is a more torturous route for the clients. It's normally through bank. So there is probably more risk in whether you're actually getting the money at the end of the day than the commercial which probably is developer lead. So* [money is assured] *there is that factor, the other thing is that, we have taken the view although apartments are the flavour of the month at the moment, so the flavour of the year. If we carried out and started to do too much work on the apartments, then in 5 years time if the market dried up you could be in a position where you haven't kept your foot in the door'* (Interviewee F1, Company F, 2007).

Given this reading of the market, a company may specifically structure its operations so as to be responsive to it. Thus, thirdly, company structure has an influence on the type of work.

> *'...we also diversify the company into two different sectors within our organisation. One, focusing on the main contracting and the other focusing on fit out works and fast track. So we are able to offer both sectors to a client. So if he wants, say an office building, we are able to build the shell as well as fit it out'* (Interviewee F1, Company F, 2007).

Thus, the company as a whole can optimise its resources in a potential contract because,

> *'...the two work hand in hand and gives us the flexibility that we need'* (Interviewee F1, Company F, 2007).

Some interviewees demonstrated that there are different companies in a group of companies with different expectations. Interviewee J1 described such a case,

> *'...split into 4 companies within the group.* [Company J] *Construction which is what I work for. There's* [Group J's] *Special Projects which is each doing projects naught to a million pounds.* There's [Group J] *Strategic Alliance which works on a 10 year framework agreement with the prison service and home office. And now the* [Group J] *Development we've just set up a development company. So there are 4 co-divisions now. All reporting to the same board. Which is only been like that for 12 months now'* (Interviewee J1, Company J, 2007).

Company J is the construction company attached to Group J and it deals with all types of building construction. However, the dependency between divisions at group J is not usual but it takes place during emergencies.

> *'...we're all supposed to be individual divisions, with no cross over from division to division. When you get busy that doesn't happen. You know one calls on the others resource and ask anybody spare can you come and help us. Which isn't going to be totally independent. With the difficulties we all work in the same building of course so it's easy just go down the corridor and pinch John to this job and that's what does happen. But it's a learning curve for the company'* (Interviewee J1, Company J, 2007).

The above scenario is an example for transfer of resources between divisions and how to optimise the use of those resources. Companies can engage in diverse type of work but management plays an important part to get the best out of that diversification. As an example; the transfer of resources and skills between divisions where it is required or most needed to be addressed to develop successful business for the company. The reason for less procedural approach in company J as opposed to the others was identified as a change in company structure taking place in 2004 from a local family business to a limited liability group of companies which work in different regions. So it is surmised that they are not yet accustomed to the change because,

> *'[n]ot only is a big jump in turnover. It's a big jump in staff to do that turnover. So you got all those problems with new staff coming into the business generating higher salaries. ...It's got its own problem for growing. Historically* [Group J] *were a local family business.'* (Interviewee J1, Company J, 2007).

Moving from a family business to a divisional structure implies the intention to increase turnover. However, it's not just a matter of divisionalisation but also the size of the

company which is important. Thus, the fourth reason to influence the choice of work is size of the company.

Interviewee E1 said they started as a family company and changed the structure into a group of companies with three different companies in Construction, Estates and Investments. The company E is the construction company which attends to all types of building construction but preferred niche contracts due to its size and the change in market situation.

> *'...really that's what our size company have to got to look for niches. ...There is a model of crematoria up there and I'm actually pushing to get to build crematoria. Because there aren't many people that build them. Not many of them have been built over the last 40 years. But there are new rules on... when particular people of my age have mercury in our teeth. The governments over the world people have found the mercury is going into the atmosphere; it's not affecting in UK at all or Europe. This is an unbelievable story, but it is landing in South Seas the tuna fish are taking it into. Mercury is getting into the human body. So they say all crematoria from now got to have a big lot of equipment put in to extract the mercury. So I've seen that and, I mean this is confidential thing in a way. I believe that we could, I'm talking to some people doing a lot of work with them. Because it's a specialist, it's a niche. And the big contractor with huge money they don't want to know about. The small people won't either. Because the jobs, the projects could be all over the country'* (Interviewee E1, Company E, 2007).

The main idea here is that these interviewees are conscious of new developments, opportunities or changes in requirements in the market. In line with that, interviewee E1 believed that concentrating on such niche projects can open future opportunities for the company. He expected that the competition for such work will be less as large and small contractors are excluded due to these reasons. It can be further assumed that medium-sized contractors who engage with specific types of work may not compete for niche projects.

He further described the usefulness of such awareness using an example which made company E change their type of work due to government-initiated frameworks in construction of prisons.

> *'...we got to be careful we must be aware of changes. I mean 3 years ago for 10 or 15 years we've built a lot of prisons and we had a lot of expertise there. The government are pushing these huge, big, is beautiful contracts they decided about 3 years ago, they had far too many contractors on prisons. So they*

*advertised on OJEU a framework agreement. We spent a lot of money to try and win that job. We didn't get there and what's happened, they placed the award with 5 national contractors. Now that was tough for us. Because actually a quarter of our turnover some years was on prisons. We were making a lot of money. We were very good at them. We were understood the disciplines of working inside the prison environment, perhaps having all the guys approved and everything. That market disappeared. Now luckily the retirement market has almost replaced that'* (Interviewee E1, Company E, 2007).

Interviewee J2 described their process in getting business as

*'...it would encompass the traditional way of getting it either public sector through qualification, private sector through contacts with clients and their professional advisors. And the other aspect is our business is really the pure business development aspect, which is really looking at new ways, new markets, new ways of presenting the business, trying to find niche markets in certain things. And that is I suppose really is where the business development comes down to'*

Therefore, finding a niche is seen as a way of business development.

*'We've have got a development company within our group. So currently the amount of development work available through them is low. So what we doing at the moment is our development director tends to try to identify land which we can use in negotiations with clients. On the basis that if we can introduce the sites and the site is of interest to them, we may be able to negotiate construction contract on the back of the site. So the back of us providing the land and the beauty of that in business development terms is that very often even in the public sector if you can identify the only site for a use. It leads to a different route in terms of procuring the work. Which is and OJEU shortened process. OJEU being the Journal of the European Union. And obviously is a pure competition document. If you've identified the site that is of use to a client, then he can apply to do what they called shortened route. And on that basis sometimes you can create a better opportunity business terms. It just depends on the rules'* (Interviewee J2, Group J, 2009).

Both examples from interviewees E1 and J2 strongly suggest awareness of the consequences of changes in markets and government planning, and the opportunities that these may represent. These examples therefore challenge the contention, described in Chapter 3, section 3.5.1, that contractors are merely reactive rather than proactive in their adaptation to an operational context.

Companies E, F and J originated as family companies. They all have long histories; where company E started as a building company in 1957, company F originated in the 1930s as a general builder and company J in 1959 as a general builder. Interviewees demonstrated that their present business approach is deeply rooted in the origin and past

experience of companies where understanding and knowledge was developed over the years on varied markets.

From interviewee J1,

> '[Group J], *they were established in 1959 by* [Mr. A] *who is now the chairman of the group'*

Where,

> *'I think the managing director probably under instructions from his father as chairman together with the financial director are probably the 2 people who are trying to develop the business'* (Interviewee J1, Company J, 2007).

Interviewee F1 described that company F

> *'...started as a family company, as a general builder did many things in the process of getting to where we are now but started as a family builder. And the strategy which the directors, board of directors adopt at the moment and will do I think for the foreseeable future is that we don't like to be in any one sector. So we market and also our strategy for tendering work is on the basis that we try and go across the market'* (Interviewee F1, Company F, 2007).

These comments identified differences in knowledge and experience on markets and different company structures which lead to prefer diverse type of work. It can be due to the reason that those family-originated companies are now at different stages in operations so their requirements are different.

Therefore, it is established that interviewees are highly responsive to and proactive in their perceptions of the market. The evidence to support this proposition is that companies' histories and past experiences have led them to identify their strengths and therefore disposed them to undertake certain kinds of work. The divisionalised structure they adopted reflected what they saw as strength, therefore, it further gives evidence that strategic thinking contributed to those companies development. (Refer figure 4.1 for connectivity of type of work and opportunity and capability)

### 4.2.2 Selective type of work

Other interviewees A1, A2, B1, C1, D1, G1 and H1 preferred to be engaged in selective type of work and described different reasons for their selection based on a combination of factors as discussed below.

Interviewee A2 said

> *'Leamington Spa is a quite a funny place. There is only a certain number of architects and a certain number of builders and it tends to do go in cycles and we just pick and choose our jobs that come through the door. But they tend to be, I would say about 8 regular architects that we work for and we have only worked throughout'* (Interviewee A2, Company A, 2007).

The above is ideal situation for a construction company but one commonly not found. The location of company A was the main factor for such uniqueness, but this can be affected by factors such as economics, politics as well as relationships between builders and architects. In line with that, interviewee A2 stated that they have regularly worked with 8 architects.

Interviewee B1 preferred to work in commercial and industrial sectors instead of the housing sector. He argued that his choice to remain in those two sectors is due to profit margins in different sectors and lack of management capability within company B.

> *'Highways is quite good from the profit margin point of view and then the middle one the average sort of price is commercial'.*

Then,

> *'[h]ousing is very competitive. So you have to get it right first time. You don't always get things right the first time'.*

Therefore, they need to be equipped with proper management skills to succeed in such type of work.

> *'We have problems and one of the problems is that if you employ a bad manager it costs a lot of money. In the past year we've gone through 3 contracts managers. We never had a contracts manager and then we've expanded. We felt that we need a contracts manager. We employed a contract manager last September and he lasted about 6 weeks. He just couldn't do his job. We employed another one in December and he lasted 4 weeks and we recently had a guy for 6 months who's had to go as well. Because he won't follow what we are trying to control and we realized that if we can't get the right people, then that figure 5 million pound turnover next year will go down. And we'll control the business better because no point in turning over more money, if you're not making any more money'* (Interviewee B1, Company B, 2007).

Interviewee B1 has identified the direct relationship between management capability and the profitability of the business during expansions. Thus, his choice to remain in specific type of work is justified.

Interviewee G1 demonstrated that the reasons for them to continuously look for work in the same sector is related to the profitability and opportunity cost.

> *'The fall back is that we're a construction company. We are about actually, with our processes and our systems actually, people build things. We could divert the business into health or education or perhaps private development or whatever and we've got the skills to do that. We've chosen not to and we regularly look at whether we should diversify ...we've chosen not to at the moment, because we believe on an opportunity costing basis that is better to actually stay in decent homes'* (Interviewee G1, Company G, 2007).

He perceived that specialising and dominating in one market sector can generate more profitability than diversifying their activities. He does not want to lose the opportunity cost having established themselves in one sector decent homes by moving to another sector. He valued relationships, experience and trust developed between its employees and clients by working repeatedly as a team on a specific type of work. Furthermore,

> *'I mean the more focused you are, the better you can be at it, but the danger is you end up the creek without a paddle if market collapses and therefore lot of that we do is to make sure that market isn't going collapse. I mean* [company G] *positioned itself in the market because it has got long term prospects'* (Interviewee G1, Company G, 2007)

The profitability can be increased due to increased efficiency in processes. It is the result of having full awareness of nature of the work which is an advantage to a company. However, interviewee G1 understood that there are limits related to these opportunities due to the unstable market.

In addition to the identified factors above, Interviewee D1 is interested in the procurement approach in which they can add value from their experience in order to demonstrate their uniqueness in that sector.

> *'The ideal for us, example would be primary care construction using 2 stage procurement, because 2 stage is our preferred method of procurement. 2 stage being where we initially bid on overheads profit and sometimes on prelims and then work with the client, in an open book basis to work on the work packages. That means we can bring out affordability, add absolute value and in primary care we've got a lot of experience, so all the view as an overall prioritization that would be the reason for us to be on top of the tree ... and that would form our marketing plan. So business development manger and other directors will particularly be concentrating on opportunities in that sector'* (Interviewee D1, Company D, 2007).

This confirmed that different sectors in the construction industry operate with different profit margins and different contract approaches. This can be due to the fundamental complex nature of the industry with high involvement of intelligence.

Interviewee C1 is concerned with their in-house capabilities when selecting the type of work.

> *'We are looking to increase but it is only by a percentage or depending on man-power and resources obviously and also the type of work that comes in. We might be successful on 2 or 3 five million pound tenders which they might take it well above that. But it would have involved 2 to3 projects, it depends on the type of work comes in as well'* (Interviewee C1, Company C, 2007).

He demonstrated that understanding in-house capabilities plays a vital role when deciding which jobs to accept. He further indicated that if the jobs are of similar nature they might take more jobs than they can cope with given the available resources. The reason for such a situation might be the confidence and the familiarity developed through repeatedly doing the same type of work.

Although company H (housing division in Group H) deals with specific work, its group engages with a diverse range of construction activities.

> *'...the type of work we do is all residential work we call it. Which is new build housing, nursing homes, shelter blocks, apartments, old peoples homes. Anywhere where people are actually living is what we do. And we have another section which does the decent homes improvement program.*

Interviewee H1 further commented about different divisions based on different types of work at group H -

> *'...it has number of individual divisions that operate quite separately as sort of individual little businesses all under the* [Group H]*'s umbrella. They are my housing division, there is a division called strategic projects which undertake works on a design and build basis, a traditional work division that does traditional tendered work where the design responsibility is with consultants not with* [Group H]. *There is a division we refer to as the Aston division; which used to be doing predominantly interiors work and work for the railways. ...Now it does slightly varied work, but I think it would probably still say that they do predominantly their office interiors type of work. And then there is another division which we call as the Reading office because the company took over a ...company called* [C and C] *who were based in Reading*' (Interviewee H1, Company H, 2007).

Although Group H operates with each division concentrating on one type of work (except Aston and Reading office), collectively they demonstrated capability in diversified work in the industry. Group H is a well-established group of companies in the Midlands region. Their divisionalised structure can be viewed as being highly competitive with any regional competitor because of their strength in different skills in different divisions. So when the opportunity arises in one division, others gain from inter-divisional skill transfer. This group of companies can be considered as an example for construction consortia (Gruneberg and Hughes, 2005).

All interviewees demonstrated a set of conscious and rational decisions based on identification of company strengths and what circumstances were more suitable. The variety of reasons that interviewees consider to remain in diverse or specific sectors can be summarised as (1) reading of the market (2) previous experience and history of the company (3) company structure and size (4) investments they make (5) opportunity for improvement when repeating the same type of work (6) profit margins in different sectors (7) their understanding of capabilities (8) their proactiveness towards opportunities, competition and complex nature within a particular market sector which demand high managerial skills and (9) unique advantage of location. Furthermore, all interviewees appeared to be highly responsive to the "market".

### 4.2.3 Matching opportunity with capability

All interviewees irrespective of their preferred sector of work employed ways of matching opportunity with capability when deciding on type of projects best suited them. However, the market appeared to be a major factor which determines their type of work. The following is an account of interviewees' awareness of the market with respect to their future business development.

> *'It depends on the market buoyancy to a large degree, I mean the market is fairly good and it is expected to be fairly good for the next five years particularly up to the Olympic dead line. It might be, there after a drop'* (Interviewee C1, Company C, 2007).

> *'...we're trying to look at different markets'* (Interviewee B1, Company B, 2007).

*'...from marketing point of view, marketing was on the basis of marketing to a broad breadth of customers, to be able to deliver that the required tenders into the building'* (Interviewee F1, Company F, 2007).

*'But I think we are within that generality* [other traditional regional businesses] *focusing on particular things, we do better than others. So that's how our strategy is formed. Looking at markets, defining where, we got some track records, we have got some differentiation and then actually highlighting and prioritizing those markets. So its market driven really, I would say the strategy'* (Interviewee D1, Company D, 2007).

*'...business strategy is actually is both, bottom up and top down and often lead by marketing opportunities within the regions in which they work'* (Interviewee G1, Company G, 2007)

The important idea emerging from the above excerpts is that interviewees monitor and act upon their reading of the market. Therefore it is established that these companies are proactive. This is in contrast to suggestions in the literature that medium or small contractors are merely reactive or perceive the market as being unpredictable (Chapter 3, section 3.5.1).

Interviewee D1 identified that it is not purely the market which determines the type of work. He strengthened their market-driven strategy with their in-house capabilities to acquire better results from their competitors. The location of work appeared to be a similar important requirement to that of the market for interviewee G1. His reason to consider the 'marketing opportunities within the region' is that they have a company structure divided into four regions which tend to operate as-

*'...sort of businesses in their own right albeit they are supported in number of things like, billing, HR, all those company functions and the central functions based on Aldridge in the West Midlands which provides that resource to each those 4 regions'* (Interviewee G1, Company G, 2007).

Interviewee D1 disclosed -

*'...in our chosen sectors of operation and those sectors are defined in 3 ways, One geography and we are basically a West Midlands based company. So we don't set out to work outside that area unless for a specific partnering client. Second sort of sector is procurement type. Not our procurement of our supply chain but our client's procurement of construction, and the third is work type'* (Interviewee D1, Company D, 2007).

As noted above, geography, client's procurement and the type of work are considerations for interviewee D1 to enhance their market-driven business strategy in the chosen health-care sector.

Similarly interviewee F1 said

> *'I would say with regard to strategy, there's clearly one of the things that what we do look at and that is government thrust. And the government thrust at the moment which is probably become more evident since July is in home or house building or whatever you got to call it. And we are certainly looking at that avenue. So our market share of that we would probably try and increase. But, probably no more than 30 %.'* (Interviewee F1, Company F, 2007).

Thus it is not only market, but government planning which is important for interviewee F1.

Interviewee E1 looked into profits and attached risks when matching capability to opportunity.

> *'I mean make no bones about it. We're here to be a profitable organisation. That's the one of the biggest drivers. But it's to have good relationships with people it's to get more repeat business. You know that because obviously the repeat business is better. We also try not to we don't want to scattergun government approach. I mean it's very easy for me to get lots of tenders from everywhere. But we want ones we've got the staff that can run the company, they can run the job, they've got the high skills and therefore you know how we can best match out skills to a market opportunity'* (Interviewee E1, Company E, 2007)

The understanding of capability of a company is an important factor when matching jobs available in a given market because -

> *'...if our turnover say 60 million, I procure one job for 35million. It would be a recipe for disaster because our guys haven't had the experience running a 35 million pound project. So what I'm looking for I mean we're debating at the moment what is the best level of value of work and it's probably 3 to 6 million we are best at. Our staff qualification best reflect that and you see the other thing we've got to think of is that the company overheads...'* (Interviewee E1, Company E, 2007).

From another point of view, interviewee H1 stated that capabilities are important because market and profitability are -

> *'...all ingredient into making the business successful. Because (1) you got to be able to make your business a marketable business. Because I always say that the first thing that I'm doing, back to this my performance on site is that if we are rubbish on site. Then people don't want to use us'.*

Then, point (2)

> *'...the quality of the work that we do has got to be such that we're invited back to do more work. So that's a minimum sort of level of performance and then you have to monitor the way in which the job is going in order to you remain profitable'* (Interviewee H1, Company H, 2007).

When interviewees considered "type of work", other than the available opportunities, they paid attention to details in company capabilities such as employees' performance, client relationships and quality of work they can offer. Thus, there is great correlation between capabilities with opportunities to develop business.

As an example, what interviewees in specific sectors are doing is gaining a greater awareness and being proactive in changing requirements in opportunities and capabilities when developing suitable business. This is further reflected in,

> *'...for example at the moment we are doing a mapping exercise on the health sector to really look at where there may be opportunities in primary care. I mentioned we're fairly clear on that but health is quite complicated sector and you got private hospital operators, you got dental companies, you got GPs, you got dentists and you've got the interface of the local authorities, with housing associations. All of those actually quite complicated market map and our job is to differentiate and then highlights and differentiate which of those areas overlapped with matrix and we can offer that service'* (Interviewee D1, Company D, 2007).

This evidence shows that these interviewees have different objectives but the "market" is being the dominant consideration when selecting type of work. However, all interviewees differentiated their companies by creating a unique image using different characteristics from a set of considerations such as market, history, past experience, locality, client's procurement, government planning, profits and risk involvement in different sectors, capabilities in management and man-power, and performance based on quality of work.

### 4.3 Business development in a company

This section deals with the different ways of developing business in a company through previously identified requirements on opportunities and capabilities. The companies investigated, differentiated their business development from a set of similar perspectives:

- Nature of business strategy which drives the business

- Board meetings as a management device
- The role of Business advisors as a marketing device
- Performance criteria - financial and non-financial considerations

When business development is discussed, interviewees explicitly used the words "market", "strategy" and/or "business strategy". All interviewees except A1 and A2 have taken a long-term approach when deciding what type of work they preferred to be engaged with. They discussed the way they manage it through board meetings. The participation of business advisors is important to them to get to know the opportunities and to market their business. What they discuss at board meetings led to the identification of their perceptions on operation strategy and usefulness in non-financial factors in business development. All above factors are directly related and form part of company's BP. This section investigates how perceived business is developed and interviewees' expectations on business development in shaping their BP (figure 4.1).

### 4.3.1 Nature of business strategy

Interviewee B1 described short-term project approach without any long-term business approach. The word "business" means projects for them and they operate with a target of constant growth in projects.

> *'Our business plan has basically been what business are we able to get....We haven't sat down there and we haven't said we're going to go after this and the other.* [Mr. Z] *my partner looks at what he's good at and I've to look at what I'm good at we've gone for less clients. We basically got our targets always been what we are able to control. But we've never put that into writing'* (Interviewee B1, Company B, 2007).

Similarly interviewee A2 described flexibility in their approach to projects as -

> *'[w]e used to go out and do a lot of smaller jobs, but over the last 5 years we've tried to project ourselves into fewer jobs, but greater value, you know. So our turnover has gone up. But we remain sort of keeping our blokes down to a minimum and pulling in necessary trades elsewhere'* (Interviewee A2, Company A, 2007).

Both cases above described the informal approach to project strategy which is based upon constant project work with a minimum target value for projects at a given time. Therefore

this short-term approach described above is flexible and depends upon the opportunities and capabilities.

For interviewee C1 business strategy is a set target in terms of their expected annual turnover.

> *'30 million will be the current. Probably in 2007 – 2008 we will be looking at say 32 million pounds. It depends on the market buoyancy to a large degree, I mean the market is fairly good and it is expected to be fairly good for the next five years particularly up to the Olympic dead line. It might be, there after a drop. We don't know yet. But it is going to sustain it self over next few years. As long as we don't grow too large, we get too greedy, we gear up too much and the company should sustain itself over that period and we just look for indicators and perhaps gear down as necessary'* (Interviewee C1, Company C, 2007).

This is a common and formal business approach. However, when the business strategy is coupled with the turnover it can be influenced by the market. Interviewee perceived the unpredictable nature of market and accepted flexibility in business strategy as a requirement for a construction company. Other interviewees E1, F1 and J1 supported the above concept. They are in agreement that formal business strategy can be influenced by market related factors. Therefore, these interviewees demonstrated that informal project strategy or formal business strategy needed to be flexible in its formation and implementation.

#### 4.3.1.1 Strategy formation

The exploration into the formation of flexible strategy identified that the interviewees' opinions are divided. Interviewee H1's idea about strategy formation is formal.

> *'...your man at the top needs to set the strategy. Because you've got to concentrate on doing what you are good at and if you are going to throw your hat into the ring for everything, whether you're good at it or bad then, that's not a very good strategy, is it? You have to concentrate on what you are good at and if you find for whatever reason that you are not able to do a certain type of work well, then generally the people you are employing are good enough and doing that particular type of work and then you've got to make some changes, in order that you can improve, yes, to be able to then, pull your socks up in that particular sector'* (Interviewee H1, Company H, 2007).

Strategy is a key element in business and he indicated it does not travel in one way; it can be bottom-up as well as top-down. There is contribution from other parts of a business.

However, '*man at the top*' is responsible for creating it by considering opportunities and capabilities.

The above view was shared by interviewee J2.

> '*In terms of deciding a market at the end of the day it comes back to me* [business development director]. *In terms of performance it comes back to the group board as a whole. In terms of setting strategy comes back to the chief executive. In terms of controlling finance and everything else in it obviously comes back to our financial director and in terms of commercial aspects, in terms of commerciality of the business, profitability on the coal face, it comes back to our contracts director and to our commercial director. So those are the key sort of roles in the business*' (Interviewee J2, Group J, 2009).

The chief executive is responsible for creating the strategy. Although strategy is a key role within the business the interviewee considered it similarly to markets, finance, performance and commerciality at company J. This demonstrated that business strategy does not exist alone.

Another view on formation of strategy is -

> '*...developed by all of us* [board of directors]. *So we don't put anything in place on the basis of somebody having a good idea. We put it in place on the basis of somebody having a good idea and then for a sort of analyze that and say ok, what are the benefits where are the pitfalls and can we see a way forward and generally through talking it through around the table we come up with a strategy to move the thing forward'* (Interviewee F1, Company F, 2007).

The strategy formation is the responsibility of its board members at company F. This view was shared by Interviewees C1, D1 and E1. Furthermore, interviewees A1, A2 and B1 are in agreement with the above in the case of formation of their project strategy.

Interviewee G1 said that creating the business strategy takes into account of company's management structure and their prevailing marketing opportunities.

> '*...the business strategy is actually is both, bottom-up and top-down and often led by marketing opportunities within the regions in which they work. But then the overall thrust to the business, takes account of that and lays down a structure and for example one of the market opportunities at the moment which is in Wales. And therefore that would be a separate stand alone region. Now that's not necessarily one of the regions task with going to Wales, with that sort of business decision is for business as a whole. And resources may be drawn out of different part of business to actually set up Wales operations. It's actually worth in this interview to describe the sort of work that we do. Most of* [company G's]

*work is in decent homes which is the refurbishment of public sector housing stock what used to be called council housing or housing run by the housing association'* (Interviewee G1, Company G, 2007).

The business strategy is formed as a collaborative effort and is liable to change. Though it is decided at the top, participation of all parts of the business is required to establish and operate it in their chosen sector. Thus, there is a need for processes and people to be adapted to changes when necessary. This provision is made through the regional structure in company G.

Furthermore, interviewee D1 said the formation of business strategy depends on the choice of work and it is a feature of strategy.

*'I think our strategy is probably best defined what our mission or vision or objective and we don't actually differentiate between these 3 but really it's to be contractual choice, in our chosen sectors of operation and those sectors are defined in 3 ways , One geography and we are basically a West Midlands based company. So we don't set out to work outside that area unless for a specific partnering client. Second sort of sector is procurement type. Not our procurement of our supply chain but our client's procurement of construction, and the third is work type. So we're not setting out to be the contractors' choice, in every thing everywhere in West Midlands. We are setting out to be a leading player on the contractors choice in certain focused areas, so we are involved in. those. By the way the strategy evolves really by looking at each of those procurement methods or procurement as a whole and defining our positioning in that and then looking at those work types. So we tend to categorize in education, health, residential and residential affordable and so forth the other sectors and deciding which of those we are going to position ourselves in...'* (Interviewee D1, Company D, 2007).

This strategy which is formed in line with clients' procurement type is beneficial for company D because they are working in a specific sector with long-term partnering. Interviewee D1 expected it to originate at the top but understand it is flexible and the effects from collaborative nature of company objectives (geography, procurement type and work type).

Therefore, it can be established that the factors discussed in the previous section matching opportunities and capabilities have a role to play in the formation of business strategy in a company.

In contrast to interviewee D1, interviewee F1 said their strategy is

> *'...based on both risk reduction and also our ability to be able to maximize our return out of the project'* (Interviewee F1, Company F, 2007).

Interviewees D1 and F1's adaptation of different business strategies can be due to requirements originating from the specific and diverse types of work respectively.

From another perspective, interviewee J2 described their business strategy is twofold focusing on existing and new clients separately.

> *'...we've probably divide it into 2 parts, perhaps at least 2 parts and we probably be dividing it into effectively working, what we call our existing clients initially to get as much work as possible as from existing clients which we tend to do by having people like* [J1], *whom you met* [J1]. *...Then new clients, I've told new business I would fit into 2 categories, one is the traditional business or the business that we have previously been involved with where we have a good track record and that really is a question of using our contacts, all our contacts throughout the industry to mine for whatever opportunities that there are...'* (Interviewee J2, Group J, 2009).

The main strategy is to get repeat business from their existing clients. The usefulness of implementing that strategy is explained through the employment of construction manager at company J to look after their existing clients' construction requirements.

A similar view to the above was expressed by interviewee C1. He depends on key people such as finance director and buyer in their company to liaise with their existing clients/customers.

> *'So it's actually using these guys as tools as you said marketing in different ways, not necessarily just to win work or to engaged with new clients also maintain the existent people base...'* (Interviewee C1, Company C, 2007).

Both above interviewees J2 and C1 confirmed that they use the relationship approach in marketing as a useful feature in formation and implementation of their business strategy in contrast to the discussion in Chapter 3, section 3.4.2.

#### 4.3.1.2 Strategy implementation

Investigations into ways of implementation of business strategy further led to different views. From interviewee H2,

*'...the managing director; he has been I think very forward thinking and almost innovative within the industry. In fact he has for some time and bear in mind I've been with the company since September 2003, and even at that stage I could recognize that he was really trying to... he had a vision. And he had a long term strategy. The vision or strategy was a 10 year document, if you like which he had developed with his management team, his director team, senior management team and therefore had painted the path as to where they wanted to take the business and the business has been growing I think 20%...approximately 20% year on year to grow. A very significant growth pattern and in and around that we'd been maintaining some of the key things we wanted to maintain was almost the* [company H] *way. That was core really in terms I guess our ethos how we behave, how we work with our clients, how we work with our supply chain. I think it's about being fair; it is about being professional, being innovative etc. number of other things and trying to make sure we have that as a process which goes throughout our organisation'* (Interviewee H2, Group H, 2008).

Current managing director's long-term vision on the construction industry has paved the way for group H to become a diverse group of companies with an obvious long-term and formal business strategy. This business strategy dictated all current processes should fall within it. It is a set process to be governed by long-term company requirements coupled with a series of short-term project requirements to satisfy their clients. In so doing they intended to achieve their annual growth targets. Furthermore,

*'[s]o what we do is we say okay we set these annual objectives this is where you were last year and this where we want you to be this year so improve objectives, So this load of people, product and process, I call the product a project, if you know the services which we provide, and we have... these are then cascaded out communicated out to the divisional functional heads and in a true policy deployment process. They then have to go through an iterative process okay where are we now? What are the improvement or change activities reoccurring, where are we? What are they delivering? A rather easy objectives which has been set linked to the vision and strategy for this year'* (Interviewee H2, Group H, 2008).

The business strategy implementation is driven from the point of view of people, product and the whole of the construction process. This strategy is very broad because it engages the whole company. Although they have annual targets which are simplified to performance characteristics, its implementation can necessitate appropriate and responsive management systems and personnel. It was observed that, this group of companies being a top end company among the companies investigated happened to be quite resourceful in those ways.

Interviewee G1 described the use of a business plan to implement strategy.

> *'...in construction it is always best to think about a 3 years business plan. 3 year time scale but reviewed annually and the first year of that being a detailed action plan. So 3 year plan saying we're painting a picture where the business is going to be in 3 years time. And then various milestones along the way, and quite detailed milestones and actions in the first year. Okay so the business plan therefore says from a business firm point of view, I am taking the* [company G] *as the example, 2-3 years ago we identified the Welsh decent homes market was a market coming up..., we know for that sometimes Wales is somewhat behind England in time scale, they were learning from the England's experiences So business plans says we need to form a foothold in Wales and develop the business in Wales. Out of that then comes a series of business development activities to ensure that we understand the market, we understand the customers, we position our offerings and we recruit the people, offices and all those things to actually get a base in Wales. And part of that the first line or one of the lines of that, then is to secure the first project. So secure the Rhondda it's actually happens to be in geographic terms, the first decent homes' project and that becomes a project. So we're then delivering that project is part of the overall business development activity of developing a Welsh region'* (Interviewee G1, Company G, 2009).

From interviewee E1 about their business plan,

> *'...we set a business plan which is approved by, remember* [Mr. Y.], *he is acting, but he is Chief Executive of the group. He would approve the business plans provided. So on the first of October which we just passed we would have an approved business plan which shows what our turnover is, what the type of jobs we would be looking for, what our structure is ...business plan that showed all those, what our profitability, money targets, what our turnover would expect to be, what's the cost of our overheads would be, what the interest earn would be, and then from that of course you're left with what profit there should be'* (Interviewee E1, Company E, 2007).

Above interviewees H2, G1 and E1 demonstrated that their long-term business strategy is formal. For better implementation, it is coupled with an action plan for shorter duration (1, 3 and 1 year respectively) which informs what they need to achieve in short-term in relation to company's long-term business strategy. Therefore, the annual business plan can be considered as the link between long-term company and short-term project strategy.

The above described business plans demonstrated strong links between opportunities and capabilities and also used them to optimise the company and project requirements. Companies C, D, F and J operated on annual turnover targets in the absence of a business plan. Companies A and B operated with target values for projects.

All interviewees demonstrated that formal or informal business strategy is developed by interviewees or their managing directors/board of directors set their sights on taking the company forward in future (short-term in companies A and B and long-term for all the others). Its implementation is through collaborative processes such as relationships (companies C, D and J), business plan (companies E, G and H), annual turnover (company C), risk reduction (company F) and a set of project targets (companies A and B) in addition to the factors discussed in the section 4.2.3 above. The following section is a continuation with the discussion of operations strategy and its usefulness through board meetings as a management device.

### 4.3.2 Role of board meetings as a management device

Except interviewees A1 and A2 other interviewees explained that all strategy issues are discussed at board meetings. In company A informal discussions are related to project performance and improvement.

> *'That's done through the 2 directors and myself and then we will sit down and discuss where any improvements need to be or whether we need to take on extra staff or extra labour to fill in areas that we are not performing in'* (Interviewee A2, Company A, 2007).

Furthermore,

> *'...it's very informal it sort of takes place at least once in a week. But it's sort of on the hoof sort of meetings when we find ourselves all in the office... it's very flexible, so when we feel the need or we put our heads together, if one of us has a problem. It's very relaxed and you know it seems to work'* (Interviewee A2, Company A, 2007).

This is a simple but effective way of dealing with direct managerial contact approach to management. Company A is the smallest in size (number of employees) of companies investigated. Thus an issue is identified whether such a method can be used irrespective of the size of the company.

#### 4.3.2.1 Composition of boards

Company A has the simplest structure with both directors in construction specialisms. Except in company A, all other companies conducted formal meetings of their board of directors, consisting of people from different specialisms. Refer table 4.1 for the composition of boards of directors and their specialisms. Interviewees B1, E1 and F1 confirmed that all members in their board of directors participate in decision making in operational strategy. Interviewee C1 said they depend on external experts' contribution when creating business strategy in addition to their regular members in board of directors.

Interviewee D1 confirmed that there are three regular members on the board and other directors contribute in their respective areas when necessary.

> *'But that the whole business isn't there and strategy* [operational strategy] *is evolved within. The strategy tends to be developed between myself* [non-executive chairman] *and the managing director with involvement from business development and appropriate of the directors'* (Interviewee D1, Company D, 2007).

Note: The board members responsibilities in operational strategy in company J – see p149 and for companies G and H – see pp157-158.

The above explained operational strategy is different from company to company due to their differing structures. However, the participation of commercial, marketing, finance, human resources and/or business development/improvement directors/managers is worth noting along with several directors in construction specialisms (table 4.1). Therefore, it is assumed that these non-construction specialist directors are responsible for analysing what business will be profitable for the company from a business perspective, along with contribution from the construction specialist directors' on internal capabilities. Therefore, this research uses the term "business advisors" to describe the role of all non-construction specialist directors' (external for company C and internal for all other companies) in terms of their involvement in business development/improvement, and it will be discussed in section 4.3.3.

| | Company A | Company B | Company C | Company D | Company E | Company F | Company G | Company H | Company J |
|---|---|---|---|---|---|---|---|---|---|
| No. of directors and their specialisms | 2 directors<br><br>Both are in construction specialism | 4 board members and 2 directors<br><br>Directors in Commercial and Production<br><br>Other two board members in the are of **Finance** and Office general manager | 7-8 directors including associate directors<br><br>Majority in construction specialism except **Finance director** and **External business advisor** | Non-executive Chairman and 5 directors<br><br>Managing director other directors are section heads in Estimating, Contracts, Commercial and **Finance** and **Business development manager** (takes part in decision making in business and operational strategy) | 6 directors<br><br>Managing director (acting), Directors in Marketing and operations, Commercial, **HR**, and **Finance** | 7 shareholders and 6 working directors<br><br>Two joint managing directors in **Finance** and Construction Other directors are in Design and development, Surveying, Marketing and company Secretary | Two level board Non-executive chairman, Managing director, **Bank**, 4 Regional directors (construction specialism) **Finance** director and **HR** director<br><br>Mgt. board with Non-executive chairman, 4 Regional directors (construction specialism) and **Finance** director, **HR** director and **Business development manager** (takes part in decision making) | Business improvement steering group consist of 5 members- Managing director, **Business improvement director, Financial director, HR manager** and Best practice director. Board of directors include divisional functional directors – Housing, Strategic projects, Traditional works and Aston divisions | Company G does not have its own board, thus Group J board consist of - Chief executive and directors in **Business development, Financial** Contracts and Commercial, and **Business improvement manager** (does not take part in decision making) |

**Table 4.1 Composition of directors and their area of specialisms**

#### 4.3.2.2 Types and intervals of meetings

It was identified that all eight companies which hold formal board of directors meetings, meet at regular intervals.

> *'We have basically an operating board. Which we have a meeting here in every month'* (Interviewee B1, Company B, 2007).

The interval between board meetings varies among companies, but the norm is to have one meeting every month (Appendix 3 Table 3.3). Furthermore, some companies split meetings to discuss issues related to business strategy into several meetings at different levels.

Interviewee F1 informed that in addition to the formal monthly board meetings-

> *'...the board of directors are twice a year have a specific meeting for business development or business strategy it's probably better. So we have every 6 months we have a specific meeting, a half a day, where we sit down and say ok, where are we going, what we're doing'* (Interviewee F1, Company F, 2007).

Interviewee J2 explained the group board meeting at every two months in which they-

> *'...try to keep that really to look at strategy, to look at growths, to look at threats and to look at initiatives. The whole group strategy of the business that meeting. We try to keep that meeting really for that level. Having dealt with all of the individual issues, only things which could be regard as the major issues which might derail any view of success in the future would feed up to board meeting'* (Interviewee J2, Group J, 2009).

The above described board meetings are purely to discuss business strategy which is considered as business development in those companies. There are subsidiary meetings available to discuss other issues such as -

> *'...an entity meeting which is a management meeting which then reviews all of the contract reviews carried out for each individual contract. And looks at trends, looks at performance, looks at trends and cause for feedback down and really in a initiatives or ancestor problems, feeds the information back, joins up, sees where we have weaknesses, sees where our strengths like, a general source of a summation, if you like, a month's business and obviously concentrates quite a lot on profitability'* (Interviewee J2, Group J, 2009).

Furthermore,

> *'...2 level board in* [company G]. *The board itself which the bank sit in on tends to deal with overall corporate issues and with the objective of giving the banker a*

> *surety that the business is going according to the plan or whatever. And the way that we've chosen to set it up or* [Mr. G] *the MD has chosen to set it up is that he has a management meeting level and that's the level actually which involve the same people with the exception of him and bank generally that would deal with business improvement'* (Interviewee G1, Company G, 2007).

The top level board meetings discuss issues relating to business development in the company. Then the management board meetings discuss issues relating to business improvement. Both are important aspects to create BP. Thus business improvement will be discussed separately in section 4.3.3 and in Chapter 6, section 6.4. From the secondary data it can be confirmed that the management board at company G, consist of the chairman, managing director, four regional directors, finance, HR[16], and business development managers. Furthermore, the bank's representation is not common with other companies. Company G operates with a management buy-out and is thus owned by six shareholders and the bank which has a 20% shareholding.

Company H conducts management boards at divisional level in addition to their company's board of directors meeting. Business strategy which was formed by the managing director is further developed by the board of directors and people responsible are

> *'...managing director, me* [business improvement director], *financial director, HR manager and best practice director. ...I'd say that at least 50% of the background of those people are from the project based focus they've grown from the tools and from the process to support that. And it is important to get many different aspects in terms of errr... if the people I just mentioned are called the business improvement steering group... okay. But also in the strategy we have the divisional functional directors which have an input, we are overlay and cross-relate if you like into those, and we have an overall view where the business is going that then... is then given to... we break that into... to we want to be year on year...'* (Interviewee H2, Group H, 2008).

The strategic decisions on business development and business improvement are taken by the permanent members of the board of directors. Some of them have hands-on experience on construction projects. Other than that they invite respective functional/divisional heads to take part when they discuss issues related to their particular divisions.

[16] HR refers to Human Resources

Furthermore, the management board in housing division consist of people who are involved with the construction production.

> *'I have a management structure where I have a head of the new build division and the head of the regeneration division as we call it. Beneath the new build division head is 4 contracts managers and beneath the head of the regeneration are at the moment 2 contracts managers. And the contracts manager responsible on the regeneration side for each of my 2 major clients in regeneration which is Birmingham City partnership and there is the Wolverhampton Homes partnership. And now we could say because I now work for 4 major frame work people that as I've got 4 managers over in new build there is one for each'* (Interviewee H1, Company H, 2007).

In addition to the above personnel, a member from the board of directors represents management board meetings at housing division.

> *'The business improvement director is invited to join those meetings* [management board] *and then he forms an opinion and he also is monitoring what we are doing against our business improvement program and that's what happens'* (Interviewee H1, Company H, 2007).

Strategic issues discussed by board of directors at meetings of different levels are (1) business development – what business is good, where to get it and (2) business improvement – how to improve the ways of getting business and doing business.

#### 4.3.2.3 Board meeting discussions

Further inquiries into what board of directors discuss at meetings exposed that, directors except in companies A, B, E and F discuss overall company related activities and business development during regular board meetings but not the project issues.

Interviewee G1 said,

> *'...the main topics that we look at the board meetings are formal, forward workload, so the first chunk of meeting is actually about ...looking at the prospects going forward, understanding what market is ...what we're doing about it, where we are winning, where we are loosing, why we're winning it, why we're loosing it. So quite a chunk of time is on forward management information support. The second chunk is about performance and that generally is contract. It's built up on contract by contract. So the board gets information on how every contract is doing. It won't generally look at that, we tend to report and discuss by their ends. So the commercial director will include a report on those contracts which aren't going well... which are outside the certain variance bracket'* (Interviewee G1, Company G, 2007).

Further probing on "either doing very well or doing very poorly" led to interviewee G1 continuing as

> *'Absolutely yes. So it's plus or minus whatever per cent it is. We generally work ....We don't discuss contracts much individual contracts. It tends to be just the very big ones, we've got 100 million PFI contracts in Oldham and that's generally will feature on the board because it is a very significant piece of business for us. And apart from that and it's just by variance. And that is 5 contracts and those are the 5 in this month and he'll give the variance to. The third area suppose to look at is customer feedback actually. Not in very quantitative form but as part of the MD's report would be feeding back...he would be feeding back what we're doing'* (Interviewee G1, Company G, 2007).

Similarly other interviewees C1, D1, H1, H2 and J2 disclosed that they do not discuss individual projects at board meetings.

However, interviewee E1 said at board meeting

> *'[t]here was the agenda, minutes, HR report from No. 1 people side then marketing- me, estimating, construction reports .That's how the jobs are going, how about the safety. Those two are linked how much we are making money, any litigation, IT. Now actually the new managing director was here we spent, and I was pleased we spent, a lot of time on marketing. Because the company uses marketing you know why, what we want to do, how we do it'* (Interviewee E1, Company E, 2007).

Explicitly, they discuss about 'jobs' (projects), demonstrated that health of projects is important to the board of directors at company E.

Interviewee B1 confirmed that they discuss projects at their formal board meetings.

> *'We talk about our personnel, we talk about the plant, the buying, are we buying right and we got a buyer here. And then we spend awful lot of time talking about jobs that aren't going well trying and make sure we put that right because if we don't there's no point in us being there'* (Interviewee B1, Company B, 2007).

However, it was identified previously that companies A and B operate with a project strategy. Company A holds informal meetings about projects whereas company B discusses about projects in their formal board meetings. Companies E and F also discuss their projects at board meetings. However, company F holds a special board meeting to discuss strategy issues as explained previously. Company E is being the construction company in a group of companies, so their strategy is devised by the group board. Thus company E analyse the progress made against that strategy at their board meeting.

All other companies have two levels of board meetings to discuss management of business development and business improvement. They are two different entities nevertheless both are important to derive BP. Business development is looking outward and deals with strategic decisions on getting business and doing it. Business improvement is looking inwards and deals with strategic decisions on how to improve the way of getting business and doing it. This will be further discussed in detail in Chapter 6, section 6.4. All these companies depend on informal or formal board meetings as a managerial device to evaluate and change business strategy and thus to form the operational strategy for the business.

### 4.3.3 The role of business advisors as a marketing device

The previous sections have identified the requirement for a company to establish its business in its chosen sector/s and how they strategically tend to do it by matching opportunities with capabilities. All interviewees considered market as an important factor which is coupled with other factors to develop business (figure 4.1). Therefore, this section deals with the consequences of market analysis on BP.

Interviewee C1 gets business advice through

> *'...an external business advisor. So that we can test that against the use, as a sounding board, if you like to'* (Interviewee C1, Company C, 2007)

The reasons to have an external business advisors service are

> *'[h]e was probably more aware of the industry and the external markets'*
>
> *'[w]e use somebody else's experience as well just to bounce off ideas to see the relevance of idea really'.*
>
> *'...we run the new strategy by just to get him to test its robustness if you like, to make sure that we are not sort of barking up the wrong tree'.*

And to know about

> *'...our competitors within the market. He would know through his business network how they're performing, what they're doing to make their firm performance'* (Interviewee C1, Company C, 2007)

Some interviewees confirmed they have employed internal business development directors/managers.

> *'We have a business development department and there is a director in charge of the business development department who reports to the managing director'* (Interviewee J1, Company J, 2007).

> *'...we have a business development manager who isn't a director but operates in that line'* (Interviewee D1, Company D, 2007).

The impact of contributions of such an individual,

> *'[y]es, very much, it's a she. She contributes to the overall decisions'* (Interviewee D1, Company D, 2007).

Responsibility of such a position dealing with decision making appeared to be enormous and from interviewee J2 who is the business development director,

> *'[i]n terms of deciding a market at the end of the day it comes back to me'* (Interviewee J2, Company J, 2007).

These business advisors/directors/managers have a responsible role during the selection process of jobs before other professionals engage with pricing. The connection between the two professions from interviewee F1,

> *'That would go straight down through marketing, because there is a marketing director and a business development manager, so he would be charged with the same view when we go into estimating, the estimating manager would also be told that, well he knows, because it's been something bred into them really a long period of time'* (Interviewee F1, Company F, 2007).

Some companies obtain the service from external business advisors in addition to internal business advice. As an example,

> *'...it would cost us a huge amount for that information when it turn to resource cost to collect that information. And many of them actual leading affordable housing contractors buy the same research. Because it's not too confidential in the sense that ....Somebody puts the hard work ...we find it out. So effectively we all pay the same organisations to find out and tell us all.*
> ' (Interviewee G1, Company G, 2007)

He explained that, they drive the approach through information collected from several external market research analysts and then process that data with their own data created in-house for a more comprehensive evaluation of the market. The internal process deals with-

*'...we're always looking at important announcements. So I mean in the housing group paper is a very important. I suppose and we knew what our government was thinking was on housing, the comprehensive spending review and where each of the government departments including the, what used to be DCLG* [Department of Local Government] *whatever it is called now, again put this into overall structure for housing expenditure in next 3 years. Now those are key documents for us. Because those are the indicators to us of what the market's doing. Now as it happen they both actually confirm what we thought anyway so that was fine. But there is a decision process, if the comprehensive review says some thing very different then we'd obviously have a decision and say, OK does this change our forward plan and that's it'* (Interviewee G1, Company G, 2007).

This indicates that companies spend comprehensive resources on business development looking into different elements as described above.

The post of commercial director exists in companies B, and E (table 4.1). Their contribution in creating the BP could not be analysed due to inadequacy of data. However, there is evidence to assume that companies B and E fall within companies which have internal business advisors by going through the entire interview transcript on how they develop business in their respective companies.

From another perspective, business development is strongly linked to project performance.

*'I'm always driven by - if you don't perform well on the site then you are on the main road to nowhere and you've got to perform well on the site. What's associated with that is to perform well on the site you've got to have improvements of your performance, so the gentleman* [business improvement director] *that deal with us on the business improvements side we'll work closely with them to use their techniques to assist us which ultimately means that we have a better performance on the site'* (Interviewee H1, Company H, 2008).

The above explained a different scenario to that of business development in other companies. It can be surmised that this company which is heavily into long-term partnering with clients pays attention to its performance to obtain repeat business. Therefore, they have a business improvement director who is responsible for improvements to performance and to develop more business. Business improvement will be discussed in Chapter 6, section 6.4 because of its significance to BP.

Furthermore other companies use their project performance to obtain business promotion, as an example

> *'...what we are trying to do, at the end of each job is get somebody to say* [company B] *do a good job, we can use it on our website...'* (Interviewee B1, Company B, 2007).

Company A was identified as a unique case because it is the only company investigated, which operates informally. They do not get any internal or external services from commercial or business perspective. However, the investigations into how they remain in their chosen market sector emphasised the previously identified location- specific factor. Thus,

> *'...our clients come to us through another party with a confidence in that introduction'* (Interviewee A1, Company A, 2007).

And,

> *'...basically through word of mouth or generally based on previous jobs and getting recommendation from the clients as well really'* (Interviewee A2, Company A, 2007).

So how they secure jobs and yet be selective on them seems to be quite unusual. For the past five years they have selected fewer jobs with greater value. From interviewee A1-

> *'I think both* [reputation and relationship] *go together really. I mean I like to believe that we have a good reputation. For that reason, we have got a pool of architects and surveyors who would always give us the opportunity of tendering, you see I mean if anything... we're in the fortunate position, where we are able to decline tenders, you know, rather than go looking for them, we get sufficient inquiries for work more than we need, more than we can cope with'* (Interviewee A1, Company A, 2007).

In addition to the location-specific factor the reasons for the above can be the consequence of mature workforce, preference in type of work and quality of work (see Chapter 5, section 5.4.2). Good quality work is generating external relationships for the company A and thus the business promotion required for remaining within their chosen sector. They identify which jobs match their prevailing requirements with informal face-to-face discussions between two directors and the contracts manager.

Interviewees adopted one of the approaches from following to analyse the market:
(1) to get external market researchers or business advisors to do it as in company C,

(2) to use the internal business advisors to formulate the necessary business approach as in companies B, E, F and H,

(3) a combination of the above two methods as in companies D, G and J

(4) none of the above methods as in company A,

Furthermore, it was identified that there is another parallel post to business advisors in companies H and J which is termed as business improvement director and business improvement manager respectively. Further examinations demonstrated that their duties deviate from business development. Business development advisors/mangers are responsible for getting work for companies and business improvement directors/managers are responsible for improving the way they get work and improving the way they do the work. This has the ability to bring in more business to a company and will be dealt in Chapter 6, section 6.4.

The job description of the business improvement director –

> *'[m]y responsibilities are as how I see it as I drive it... is to improve to how* [company H] *operate within their business also to improve how we deliver projects and so that includes working with clients and that also includes how we work with our supply chain and also I believe it's actually working on processes which are the interface between* [company H] *and our clients and also Company H and our supply chain and even such where in fact I am developing a...I have already started a programme one I called supply chain development. So that's what I define for me, when I say businesses not just mean the* [company H] *business I mean the complete value chain'* (Interviewee H2, Group H, 2008).

Also,

> *'...we do employ a guy within the business, who we call our business improvement manager. ... his role is really is to look at our systems and see how we can do better'* (Interviewee J2, Group J, 2009).

Therefore, business development and business improvement in a company are two different issues; nonetheless, both are equally important. Business development is quite broad and includes the whole business, whereas business improvement is case specific (see Chapter 6, section 6.4.2 for examples). More importantly business improvement is capable of creating a link between a company and its projects which will be discussed in Chapter 6, section 6.4.

The above findings, confirmed that eight out of the nine companies investigated take a comprehensive business initiative to promote their business in the chosen business sector/s. Company A, depends upon relationships developed on quality of work for their business promotion.

### 4.3.4 Performance criteria

The majority of respondents did not approach business development from the point of view of profits. Profits are required but they have taken a long-term and a subtle view on it. Therefore, interviewees are more advanced and considered non-financial factors able to influencing business development to make profits. Therefore in this section the researcher discusses about non-financial/financial orientation in business development through perception of interviewees.

Interviewees described that,

> *'...moral standards in a civilised modern manner sets our strategy not only profits'* (Interviewee A1, Company A, 2007).

> *'...business is set up entirely customer driven, market driven and therefore all the processes basically flow from there'* (Interviewee G1, Company G, 2007).

> *'[l]ooking at markets, defining where, we got some track records, we have got some differentiation and then actually highlighting and prioritizing those markets. So its market driven really, I would say the strategy'* (Interviewee D1, Company D, 2007).

> *'...we weren't turnover driven, where the idea was not to drive the company by turnover, but to be more selective in the projects that we were actually tendering for and therefore winning'.* (Interviewee F1, Company F, 2007).

> *'...profitability turnover is still an important things but there are other commercial people who are looking into the market opportunities then they decide how to build on that profitability'* (Interviewee J1, Company J, 2007).

Therefore five out of the nine companies investigated considered non-financial factors as useful for business development.

However, interviewee C1 considered a budget forecast approach.

> *'...we look at turnover what we want to achieve as turnover. We are a 30 million pound construction company that's what we aim to achieve every year, set budgets in line with that 30 million pound turnover...'*

Then they

> *'...run the business through estimating and tendering to achieve that level of turnover for us. It suits the operation of the business and it suits the resources we have within the business and we can make a suitable profit'* (Interviewee C1, Company C, 2007).

The above is the most popular approach to any business in 20th century; however, the business world has rejected this approach nowadays[17] (Chapter 3, section 3.3.1.3).

Interviewee B1 said that their approach to business operations is by maintaining a constant turnover. But, the way they achieve it, is different from that of company C.

> *'We work with* [K] *on highways and* [L] *so that's highways work.... We then try and partner with companies. So we do work with people at* [M]. *We are partnering with* [K] *to keep the turnover going. And we've been successful basically in getting repeat business from those 2 major clients'* (Interviewee B1, Company B, 2007).

On the one hand company B valued relationships as their approach to generate a constant turnover while profits have taken a backseat. On the other hand it demonstrated their lack of business thinking. Other reasons for Interviewee B1 to monitor turnover are:

> *'[w]e roll the cash flow. The profits are going into financing the increased turnover'.*

And

> *'...we have never borrowed money basically... because normally they'll give you banking arrangement if you like it and lend you money as long as you put a purposeful management plan in place. We never actually had to do that'.*

Then their

> *'...business plan has basically been what business are we able to get....We haven't sat down there and we haven't said we're going to go after this and the other. Barry my partner looks at what he's good at and I've to look at what I'm good at we've gone for less clients. We basically got our targets always been what we are able to control'.*

And

> *'[w]e are not business people'* (Interviewee B1, Company B, 2007).

[17] It can be argued that this is one of the reasons that the company C could not survive in the construction industry in 21st century.

It can be concluded that interviewee B1 is not very sophisticated in his thinking in finances. Therefore, he tried to develop business primarily on repeat business from the relationships they have developed with their existing clients.

However, there are two companies out of the nine investigated which prefer profits to drive their approach to business.

> *'We're here to be a profitable organisation. That's the one of the biggest drivers. But it's to have good relationships with people it's to get more repeat business. You know that because obviously the repeat business is better'* (Interviewee E1, Company E, 2007).

Interviewee E1 considered relationships as another business driver in addition to profits as he depends on repeat business similar to that of interviewee B1, but, interviewee E1 has

> *'...a clear business plan that showed all those, what our profitability, money targets, what our turnover would expect to be, what's the cost of our overheads would be, what the interest earn would be, and then from that of course you're left with what profit there should be'* (Interviewee E1, Company E, 2007).

Therefore, company B, a company in the lower end of companies investigated lacks focus on long-term business approach. Whereas, company E; a fully fledged medium-sized company in a group of companies, focused on long-term financial and relationship perspectives to build their business.

Similarly, interviewee J2 described

> *'[p]urely and simply profit to start with. If we don't make a profit we are not in business. Then we look at the more esoteric aspects of it. In terms of obviously we want repeat business. So therefore we look after our clients as well as we can. We don't look after we don't chase markets where in fact we can't make money. We don't chase markets where in fact we lose money'* (Interviewee J2, Group J, 2009).

An issue is identified, what should be given more priority to build a sustainable medium-sized company – profits or relationships? A possible answer is interviewee F1's explanation on finance as a subsidiary by-product of collaborative working in a flexible project environment.

> *'...over my experience the most successful projects both for the client and for us, that's not necessarily talking about financial. Because financial actually is a*

> *spin-off of working collaboratively. Now when I say collaboratively that's not in a fixed regimented contract. That's saying that we all work together for the benefit of the project. Cost benefits are a spin-off of that, but the main spin-off is quality and time'* (Interviewee F1, Company F, 2007).

Similarly,

> *'...I am very much customer-focused so tenants' or clients' satisfaction is a big one for me but to help me to get that and deliver that if you think from operational measures quality, cost and delivery, if we give those three right, then in fact hopefully if you do it well and you don't annoy the customer you know there is a client relationship management aspect you know all of this of course and we have that, then you know hopefully all the rest should you know we deliver the project on time or ahead of time, right first time, quality within the budgets that you said you are going to or better in fact your profitability is going to be there'* (Interviewee H2, Group H, 2008).

Both of these interviewees strongly demonstrated the relationship between business development and the project performance towards BP (figure B1).

From different perspectives, it is confirmed that the approach to business operations is not completely financially oriented. All interviewees except E1 and J2 tend to approach business operations based on non-financial factors. However, even E1 and J2 firmly focused on relationship aspect together with profits. It demonstrated that the approach to business is varied and flexible thereby easily accommodating changes. Thus, a majority of the interviewees appreciated non-financial factors which are capable of creating profits more than the financial factors when developing business.

The above findings confirmed that the formation of business strategy in a company is based on choice of work, opportunities and capabilities of people at all levels. It is further refined and implemented by the collaboration of board of directors and senior managers. Interviewee H2 described that, ultimate aim of business strategy is to satisfy the clients/customers requirements and enter into repeat business with them. Other interviewees echoed the same idea without any exceptions. Thus, they believed that it is useful to maintain relationships and also emphasised this factor is capable of developing and improving their businesses (figure 4.1). Therefore, the next section inquires into "relationships" through interviewees' perceptions.

### 4.4 Relationships at company level

Since all interviewees considered relationships as a useful attribute for business development in a construction company they tend to form relationships with others such as similar/dissimilar companies, specialist/general sub-contractors, finance providers, building material suppliers and manufacturers. They used the relationship approach to convince of a big picture with enhanced capabilities in a given sector to their prospective clients. If the big picture is shown with varied skills, management capabilities and with a sound financial backing; a company can attract prospective clients. Consequently, this leads the company to form better relationships with the said client on a long term-basis.

Therefore, the construction industry has developed to be an excellent base for different types of procurements, frameworks and partnerships to avoid disputes in relationships between parties concerned. Construction conglomerates are an example for official partnering between groups of companies with similar or dissimilar interests. This feature was observed in this study. Various types of procurements such as JCT[18] and PFI[19] were identified in this study and they are examples of official procurements between client, contractor, and/or financial provider/architects. Another popular method of forming an official relationship is through formation of supply chain agreements between a client, main contractor, specialist/general sub-contractors and building material suppliers/manufacturers (figure B1 and figure 4.1).

[18] JCT – refers to Joint Contracts Tribunal and is a suite of contracts which meet various and diverse needs of construction industry. This can be used with all three project procurements- traditional, design and build and management. Partnering is not a procurement but has increased the requirement of a procurement strategy, thus the use of JCT has become popular within the industry. Different JCT contracts are available to use with the client and sub-contractors.

[19] PFI – refers to Private Finance Initiative and is a long-term contract and originated through public and private sector partnerships.

### 4.4.1 Partnering

Interviewee F1 considered partnering as

> *'...the general thrust is a kind of framework agreements with clients and negotiate a contract's most type of issues are partnering'* (Interviewee F1, Company F, 2007).

Even though the outlook in partnering is simple as above, it does not appear to be the same with all companies in practice. Therefore, companies are divided on formation of external relationships through partnering/frameworks or supply chains.

Note: the vertical upward relationship between company and clients is referred to as partnering in this section.

#### 4.4.1.1 Drawbacks

The general understanding is that partnering facilitates repeat business and thereby continuity in business for a company. Consequently it increases the complexity in management of project operations. It is argued that, though on paper it is an agreement between two or more parties, in practice it raises complexities. It can be due to the involvement of different skills and professions in construction design, management and production with different concepts, perceptions and principles. As an example, on-going debates between architecture and construction specialists regarding buildability of structures.

Some companies do not see partnering arrangements as useful for the company or the client.

> *'...what the framework says Warwickshire say to all the local schools say by the way you go to this contractor. But the schools are autonomous, some of them are financial organisations and they say hold it. It's costing me more money to go to this contractor. I don't want to go to. I want to go to so and so...'* (Interviewee E1, Company E, 2007).

Therefore he continued

> *'...very interesting is that actually a lot of these frameworks are beginning to break down because of the client'.*

However,

*'[t]he overall idea and concept of partnering is great and very ideological, the reality on the shop floor or on the coal face, is that it doesn't actually work in the way that people originally intended it to work'* (Interviewee F1, Company F, 2007).

The above situation can be due to unforeseen conditions such as prevailing site conditions, effect of weather in addition to the previously described involvement of different professions in construction production.

Therefore

*'I subscribe to the view of partnering frameworks and that type of management exercise. But in practice it's not as easy in construction'* (Interviewee F1, Company F, 2007).

Also

*'[i]ts bureaucracy you've added a huge amount of bureaucracy which is not favourable for you and I as tax payers'* (Interviewee E1, Company E, 2007)

The above, both companies E and F are however construction companies affiliated with a group of companies. Therefore, they are also in a relationship with their parenting companies and their counterparts. It can be the lack of a single definition for partnering which excluded that aspect from respective interviewees' discussion in partnering.

Some companies were affected due to constraints from partnering in the industry. As an example, business development of a company can be affected due to the unpredictable nature of work even when in a partnering arrangement.

*'...we've got a partnering arrangement but sometimes you won't hear from them for a year and then they'll ring you up and say there is a job in Corby and a another job in Kettering ...and you price them and you probably won't hear for another 3 months. Because they are sorting out their bid and then they'll say* [M] *it is up on next week'* (Interviewee B1, Company B, 2007).

Another drawback is that profitability generated by such partnering procurements is a gain for the client not for the contractor.

*'...we are on an agreed profit margin generally. There are some sort of safeguards both ways. I mean sort of that the more efficient we become on decent homes the clients get the benefit of that not us'* (Interviewee G1, Company G, 2007).

Then the question arises that partnering agreements allow companies to sustain in the market in long-term but for whose benefit – client's or contractor's?

Furthermore, interviewee C1 said the change in approach to the business from main contractor to sub-contractor is due to –

> *'[t]he procurement methods of these days are lot of emphasis on the framework agreements. So large contractors they are taking large chunks of construction work from local authorities and government where they building prisons or schools and there is lot of frameworks around the region that actually has 5 year programs to build so many houses and so many schools and so on and because we are not sort of qualified as a company in terms of size, to be able to compete against the market...'* (Interviewee C1, Company C, 2007).

The size of the company has raised serious consequence for business development in company C. However, interviewee C1 has identified their in-house capabilities on restoration work to capitalise on, when changing their approach to business.

> *'So particularly on the elements like restoration where large contractors haven't got those skills; we can go and offer those skills on a sub-contract basis. We've got sort of evidence in 5 to 6 projects we carried out in the last 12 months, where we have taken on that role it's been successful and we've made money from those processes. Had we stayed in main contracts we wouldn't have done 6 projects. So it helps to sort of maintain or enhance our turnover for this year'* (Interviewee C1, Company C, 2007).

Although the interviewee C1 expressed that

> *'...we are happy to do say 20 or 30% of the overall work as a sub-contractor to another main contractor'.*

And

> *'...it has allowed for us to be more successful with work because of that approach.*

Company C could not survive long with their new strategy and eventually it was forced into administration[20] in latter part of 2007. Therefore, size of the company is assumed as the reason for company F to merge with a large national contractor, companies D, E and J to operate within group of companies similar to consortia and companies G and H to operate with regional and divisional structures respectively.

[20] Change in approach to business was not the only factor contributed for liquidation of this company. It can be argued that, the company C might not have addressed the fundamental change between the main contractor and sub-contractor in terms of managerial activities and mind sets within its employees adequately.

#### 4.4.1.2 Advantages

Partnering/framework agreements are highly valued by some interviewees. The way of entering into partnering is

> *'...very much about opening cost base up to those clients, working with them to make sure that's effective, on an agreed profit and overhead structure and that is the way that market works. So when we talk about partnering, it's driven by the client procurement which is a procurement of a framework of contractors to work on open book basis'* (Interviewee G1, Company G, 2007).

Interviewee G1's explanation is based on fairness and ethics in business. Being a larger company among the companies investigated they might have secured competitive advantage to win jobs based upon those factors. He valued relationships between client and contractor based upon openness in both parties. Therefore such relationships are capable of avoiding adversarial issues between client and the contractor which leads to litigation. Further, it has the potential to create a valued product. However, whether they work with a similar attitude and processes with their sub-contractors is questionable (see p197).

Interviewee B1 said,

> *'[w]e don't want to start introducing ourselves to new clients. We've got enough clients. What we want is more of their markets ... we've got enough of those at the moment that give us work. ...like to prove ourselves to get a bigger proportion of their pie'* (Interviewee B1, Company B, 2007).

Greater familiarity in work processes with the same set of clients can lead to develop effective and efficient work practices in a company. Thus, growth in volume of work is expected by the known clients is beneficial to the company B.

Furthermore,

> *'...continuity and repeat business is generally good for a construction company. Because it gives the opportunity to go up the continuous improvement learning curve'* (Interviewee G1, Company G, 2007).

Partnering gives an opportunity for construction companies to be engaged with continuous work. It helps them to organise, plan and carry out work with less cost and with added value to all parties by minimising or eliminating all non-value adding

processes and increasing value adding processes. Consequently they become more efficient and effective in their work practices.

Repeat business through relationships is crucial to interviewee B1. Because of the nature of their multi-skilled business where they needed to maintain a steady stream of skilled employees to handle drainage work, steel fixing and concreting as an infrastructure sub contractor. Therefore, they

> *'...have to find different types of work, for different gangs and we got to keep those guys, employ them on a continue basis, I mean with more being successful in repeat business through the product. Our product like, that school there, that's the 5th brand new school, we've done in the past 2 years with that company and you wouldn't get repeat businesses if you didn't get the first one right. So the product has to be right so we hope to keep the people going, and we basically say to them if you do a good job we get the next one, we get the next one and we do...'* (Interviewee B1, Company B, 2007).

Interviewee B1 supported the notion of client relationships are based on performance and it is capable of increasing continuity in work for them. Although continuity of work assists companies to maintain their skilled workforce, heavy dependency on repeat business from existing clients increases the risk in business. Company B is in the lower end of the companies investigated which operates without a business strategy and as a sub-contractor. Besides, this is a classic scenario in the industry which makes the way for supply chain relationships which will be discussed in section 4.4.2.

Benefits in partnering can

> *'...guarantees you more turnover, more...more sustainable turnover'* (Interviewee B1, Company B, 2007).

> *'...give us stability and some based loading to the business'* (Interviewee G1, Company G, 2007).

Furthermore, partnering is

> *'...the better route for all parties, because all parties should benefit from it is when you are negotiating. Because we are able to fully understand the total scope of the works by doing it that way'* (Interviewee H1, Company H, 2007).

The direct managerial contact approach in negotiating jobs was responsible for building fairness in business. It has the propensity to lead the business to become more aware about the returns through openness in construction processes. Therefore, they valued

inter-firm collaborations in working, which can facilitate added value to all parties as well as the product. Company H is one of the companies in the higher end of the sample, similar to company G which adopted similar management approach. By doing repeat business and getting to know the client better has the potential to develop efficient and effective processes, which will lead to generating sustainable turnover for the company.

#### 4.4.1.3 Attempts to maintain advantages

A simple explanation on how to maintain sustainable turnover through partnering -

> *'...we started off with a framework agreement with* [client S], *and it was a straight forward philosophy of- you demonstrate to a client that you can deliver a good product on time, within budget and then they'll come back and want you to do more work. And therefore that strategy enabled us to grow the volume of our work with* [client S]. *Then we seek to get opportunities to work with the other 3 main people which we've achieved in doing. Same philosophy when you got a chance do a good job, finish it on time, quality is great and within budget. You try to become the first choice contractor of the people that you work with and you try to work with these people time and time again'* (Interviewee H1, Company H, 2007).

However, maintaining a sustainable turnover is not as easy as the above explanation, because of significant involvement of different specialities of people engaged in different processes. Therefore, management approach to get done those processes through people needed to be given priority. It depends on many characteristics of a company such as business and operation strategy, attitude of employees, work ethics and management of quality of the product; which spans a wide range of operational processes at company and project levels. Therefore, management of all related processes and people play a vital role in the development of sustainable turnover through partnering.

Some interviewees preferred government initiated partnering due to its strategic and sustainable nature.

> *'So really what we're looking for is opportunity by any means in construction. We also look at government initiatives, government grants. We look at where the money is going and basically we follow the money. So government investing in a particular programme we find out about it we see whether we've got the skills to do it. I think like us everybody else what we are looking for is strategic business and sustainable business. So what we're looking for is frameworks, partnering arrangements and these sorts of things'* (Interviewee J2, Group J, 2009).

Interviewees D1, G1 and H1 also expressed their preference for such contracts. Therefore it can be surmised that the type of partnering client has an influence on the sustainability of a partnering arrangement.

The relationships built on private partnering clients do not guarantee the next job. Interviewee B1 explained the unpredictable nature in p173 above, albeit they depend heavily on repeat business from a set of existing private clients. Thus, the relationship of business development and performance at project/s in a company emerged as significant in partnering arrangements.

In line with the above, interviewee J1 described a scenario that majority of their work is-

> *'...construction probably 40 % construction is done in competitive tendering and a lot of it is repeat business. A lot of it is... I was at a meeting yesterday at Coventry University, we do a lot of work for Coventry University and I'm like a client manager for Coventry University site'* (Interviewee J1, Company J, 2007).

Interviewee J1 has developed a very good relationship with the client but company J has not been selected in a recent pre-qualification tender for a future job. He comprehended that as -

> *'...I'm really disappointed, because they are my client. I mean I took them to the company. We got a lot of work with them. I play golf for them regular; I'll be taking them for Christmas lunch and everything like that just to keep their relationship. Yes, there's nothing wrong with that. But they can't just give me the work. You still got to do the business and going back to what I've said earlier, we weren't... production were not involved in the job what so ever until called for the tender interview'* (Interviewee J1, Company J, 2007).

In the above excerpt "business" means what company J does to secure future work from an existing client which includes appropriate pricing, attitude of the contractor's representative, quality of work and/or customer satisfaction. Interviewee J1 has fulfilled those criteria but one. Company J's estimation division did not price the job correctly due to the absence of contact between interviewee J1 and the estimation division. By knowing the client well; interviewee J1 would have offered much valuable information to the estimator to price the job appropriately. This increases the awareness of face-to-face contacts in winning jobs through partnering. Thus, understanding the contractor's soft

and hard requirements and pricing accordingly can guarantee better job prospects. This issue will be further considered in Chapter 6, section 6.3.

Thus, some interviewees have developed systems to get to know their clients.

> *' A lot of would be about the client and we also be feeding back if we find ourselves a client that's pretty good to work for or a client... where their ethos is very much aligned to* [company G]. *Well the team will be feeding back straight away look, you know - This is a good client , We can do well here and we can satisfy them, we can make some extra money and therefore the business development team will take on board, well obviously therefore need to make sure any opportunities going with that client are to put on very high priority. Conversely we might actually find a client quite difficult to work for, and therefore that would be feedback, you know - Don't put that the top of the list, next job that comes on we may be on the tender list but actually we need to be careful on that'* (Interviewee G1, Company G, 2009).

The above is an example for a data management process of existing clients. It supported the point made previously on understanding the soft and hard requirements of the client as useful for pricing their future jobs and thereby wining more jobs from the same client even in a partnering arrangement.

The above discussions identified overall performance criteria in a company such as pricing, attitude of employees, customer satisfaction and quality of work as useful factors to maintaining relationships in partnering.

#### 4.4.1.4 Types of partnering agreements

Conceptually partnering/framework agreements are designed for win-win situations for both client and the contractor. However, different types of agreements can alter the above conceptual understanding. As an example, Interviewee H1 described the profit negotiated procurement whereas the interviewee G1 described the open book procurement. Therefore, it confirms that companies work on different types of partnering arrangements with clients.

> *'So when we talk about partnering, it's driven by the client procurement which is a procurement of a framework of contractors to work on open book basis'* (Interviewee G1, Company G, 2007).

Interviewee H1, on different types of partnering agreements -

> *'...we are working on an open book basis with an agreed overhead and profit mark-up. That happens in the Birmingham partnership on the decent homes programme'* (Interviewee H1, Company H, 2007).

They work with local authorities,

> *'...not totally open book basis because, lets say for an example if in that scheme there is a central heating installation to be done. We obtained a price from a heating company to go in through houses and install a central heating system. If it's 4,200 pounds for a three bed house, then they'll get paid that and is not open book in such a manner that they are submitting their price based upon 16 radiators at 25 pound each, 1 boiler at 350 pounds like that. It's that there has been an agreement that for all those houses they will get paid 4,200, so when we open our books up. We showed to them we have done several thousands of heating installations and 4,200 each, these are all the addresses the tenants have got their central heating and have said lovely, thank you very much, nice and warm in my house now. And that we are audited that is what we have done, that is what we have been paid for and we get our overhead and profits.* (Interviewee H1, Company H, 2007).

Furthermore, they also participate in selected competitive tendering in frameworks.

> *'...there are 4 contractors in the framework, we have a scheme for this one here again 29 dwellings, Wooster Road, Stourport and here are the planning drawings and the architect's worked up. You give us a price for that. So you are in what I call a competitive tendering club. And so you compete then in select number of people and generally they select the lowest price. Sometimes you go along for an interview if you like the lowest two because they want to question you about the various things, whether you have allowed for this and that'* (Interviewee H1, Company H, 2007).

Additionally, companies E, H and J participate in OJEU tendering. However, Interviewee H2 insisted that just signing an agreement between two or more parties is not sufficient to add value to all parties and the finished product. His explanation extends beyond projects done through partnerships thus will be discussed in Chapter 6, section 6.3.4. It can be viewed as a company-wide process regarding business improvement. Furthermore, interviewee H2 insisted on collaborating work within partnering/framework can enhance BP in a company iteratively.

Other than well formulated relationships discussed above; there are also simple external relationships that exist in the construction companies.

> *'...it's to have good relationships with people it's to get more repeat business. You know that because obviously the repeat business is better. We also try not to*

*we don't want to scattergun government approach'* (Interviewee E1, Company E, 2007).

The idea here is that understanding the client's requirements fully and trying to provide the valued product at a reasonable cost is the formula for such relationships. Therefore, interviewee E1 illustrated the same scenario explained by interviewees J1 and G1 above. There are different types of partnering arrangements available but what construction companies indeed need is simply to understand one another's capabilities and work on ethically and transparently to produce a valued product within available resources of clients and contractors.

### 4.4.2 Supply chain

Note: the vertical downward relationship between a construction company, its sub-contractors, suppliers and manufacturers are termed as "supply chain" in this section.

Gaining repeat and continuous business increases the efficiency and effectiveness of work processes in a company. Consequently it leads to developing BP for the company. Additionally, there are other advantages that relationships can open for companies. As an example, firstly, prospective clients can be given the assurance of work,

> *'...this is not just someone we have picked from the yellow pages....this is a company that works with us for 20 years. We know Bill, the managing director; I know that if he doesn't perform I can phone him and say "What's going on here", you know, and then he will responding in a positive way so you've got no contractual battles and that sort of thing .We have got people want to work with us .with our clients as well. So that's one of the big fundamental things that has been successful... I think so'* (Interviewee C1, Company C, 2007).

Secondly,

> *'[w]e can actually explain that to our clients because they are interested to know that you got the resources, they know people are not coming to the industry and they know lots of severe skills shortages and they want to know if they employ* [company C], *if they are able to get this army of people and they get their job done. I think they get the comfort from us saying we have a formal supply chain we have all these people registered to us, we know what their businesses is all about, we are trying to support them and they get so much comfort from that'* (Interviewee C1, Company C, 2007).

The above methods can add value to all parties and the product as it has the potential to use direct managerial contact approach to management. However this approach is

debatable, because company C did not survive in the market in spite of having such arrangements. Furthermore, this opens up the complex nature of relationships.

The formation of a supply chain had benefited company C in communicating with their clients effectively because,

> *'[w]e had proformas that subcontractors could fill in, so we had all their company data and we really revamped and put together our supply chain. Now the benefits of that we can communicate with them all these people much much better than we ever did'* (Interviewee C1, Company C, 2008).

The above confirmed that medium-sized companies' role has changed from doing construction production to management of construction production.

Interviewee H2 is in agreement with the above and further described -

> *'...we try and cascade through the* [company H] *way those responsibilities to everybody. So whilst we might have, we do have a quality assurance manager. We try and work with people to say actually what we try to do is to empower you and give you the responsibility and whilst we as contractors are almost managers of the project anyway and the value is delivered through our supply chain really in terms of the work that's done, construction work let's say the production part. Emm...we are trying... I suppose to give the responsibility of that to our supply chain'* (Interviewee H2, Group H, 2008).

Interviewee C1 described the formation of a supply chain to handle the construction production and it consists of their sub-contractors. Interviewee H2 depend on supply chain for the construction production, therefore, "company H way" seems to be getting construction production done by controlling and managing sub-contractors using the word "empowering". It can also be seen as a way of risk reduction to company H.

A requirement to become a supply chain participant is,

> *'...basically all the time we are looking to make sure that we have the best deal we can possibly get from everybody in our supply chain. At the moment it's basically what we are all having to do is go in at much reduced margins, that we would like to go in that to maintain our turnover and we have to make sure that everybody in our supply chain realizes, and I am sure they all do realizes that we've all got to be competitive. So at the moment we are looking at driving down costs all the time and from every aspect of our business; driving out waste, driving out any excesses of cost. Really we just have to be absolutely competitive'* (Interviewee J2, Group J, 2009).

The competitiveness factor identified is based on the lowest cost which has been repeatedly rejected by Egan (1998) and Latham (1994). Furthermore, there is evidence, that companies D and E maintain and manage supply chain based on competitiveness; thus they pick sub-contractors for their projects from it. However, companies A, F and G do not manage a supply chain officially but they have their preferred sub-contractors for doing their projects (see Chapter 5, section 5.3.1).

The two companies B and C are specialist sub-contractors therefore, it would be expected that they maintain their skill base; nonetheless it is not the case. Interviewee C1 described that they maintain a supply chain-

> *'...we set up our own supply chain system where we were looking to bring all our sub-contractors together so that we could say you are in our team, we want you to be part of our future. We want you to maintain your future, so that if we can not guarantee but get you committed to our business, we can give you work over the next 5 years equates say a million pounds or quarter of a million pounds or 100,000 pounds and get them involved with our business make sure they are running their business OK, so they are only a small business they are not privy to industry advice, business advice and that sort of things'.*

Furthermore,

> *'when we did that 3 years ago at least 11 of those sub-contractors businesses have actually achieved investing in people...So we have opened the door to people to come in through and to me that's a such a massive benefit ...actually going and talk to client marketing terms and so we've actually engaged with our supply chain. Not that is a lovely document. This is how it work and this have nice flowcharts and we can actually say this company is a decorator going to come and work on your job. We help him achieve in investing people. So he managing and developing his staff'* (Interviewee C1, Company C, 2007).

Company C used the supply chain for two very different reasons. One is to convince their potential clients about their strengths in different skills and capabilities. The second is as a service to the small contractors. The above explanation again refuted the general understanding of construction industry as not professional enough.

Company B demonstrated the use of specialist sub-contractors for specialist and regulated work as a means of risk reduction and to satisfy industry requirements (see Chapter 5, section 5.3.1).

In spite of the advantages described above, interviewee F1 is not in favour of the idea of supply chain,

> *'[w]e don't run a supply chain. Mainly because this is a very competitive business and I have issues with supply chain on the basis of competitiveness'* (Interviewee F1, Company F, 2007).

All above interviewees except F1 favoured supply chain relationships as a means of developing BP. They demonstrated, on the one hand they take an interest in monitoring and managing the sub-contractors and on the other hand they tend to develop relationships with the clients' based on supply chain performance. Therefore, these shared responsibilities of main-contractor and supply chain participants at the construction production stage are capable of creating BP for the company. However, such processes cannot be problem free which appeared to be an intuitive area for CM research.

Relationships at company level can be viewed in many different perspectives ranging from simple individual relationships to more complex partnering arrangements in the industry. All such relationships a company make with other parties are either long-term or short-term business concepts. However, they have the capacity to bring in repetitive and continuous business to a company.

### 4.5 Chapter summary

In summarising the way of doing business at company level, it is evident that all companies shared mixed results in the way they see their opportunities in the market. Therefore, companies A, B, C, D, G and H preferred to be in a specific sector whereas others preferred to be more diverse in their type of work. The type of work was influenced by company history, past experience, size, market opportunities, capabilities and its requirements.

Business development was considered as a long-term concept coupled with short-term requirements. Therefore, all interviewees except A1, A2 and B1 described a long-term business strategy with a flexible approach to achieve it through effective and efficient operations in chosen projects. Those projects were carefully selected to satisfy the

business strategy of the company. Therefore, they depend on expertise of business field within and/or outside their companies with the exception of company A.

Then they further developed their businesses in the chosen sector/s by entering into repeat and continuous business with clients through relationships. It was identified that those relationships fall into short-term and long-term categories. All interviewees, except F1, valued relationships differently and maintained them both short-term and long-term. However, the development of long-term relationships with external partners/clients in the construction industry with an overall business initiative is demonstrated to be useful. Such relationships with collaborative working have the potential to add value to a company, client and the product in different means as explained by interviewee H2 on several occasions. Without any reservation, the described business development processes are responsible for a significant part of BP in a company.

Interviewees paid attention to construction production to iteratively enhance BP for companies. Therefore, all of the factors discussed above have a role to play in determining the company's approach to its construction production in the chosen business sector/s (figure 4.1). The next chapter will describe different approaches taken at project level and different reasons for their usefulness in sustaining the businesses in the construction industry.

# Chapter 5 - Doing business at project level

## 5.1 Introduction

All interviewees were in agreement that business development takes place at company level looking into and procuring certain types of work they can do better than their competitors, thus developing strategies and relationships accordingly. The developed business becomes a reality at the project level through construction production. Thus all interviewees perceived that the management of construction production significantly influences the Business Performance (BP) along with the previously discussed company-related factors. They believed that the success of project processes is capable of generating more business and more confidence for the company. Consequently, it was identified that a company's long-term BP strategy is partly built upon the short-term project performance. Needless to say, therefore, management of projects could not be avoided in this discussion.

However, this section does not address the issues relating to deliverability of projects. This is because the aim is to understand the impact of management of projects towards business development. Thus the empirical data was obtained from senior managers/directors and chairmen of those companies investigated, but not from project managers. Figure 5.1 below show the structure of this chapter in addition to the discussion in pp131-132 and the figure B1.

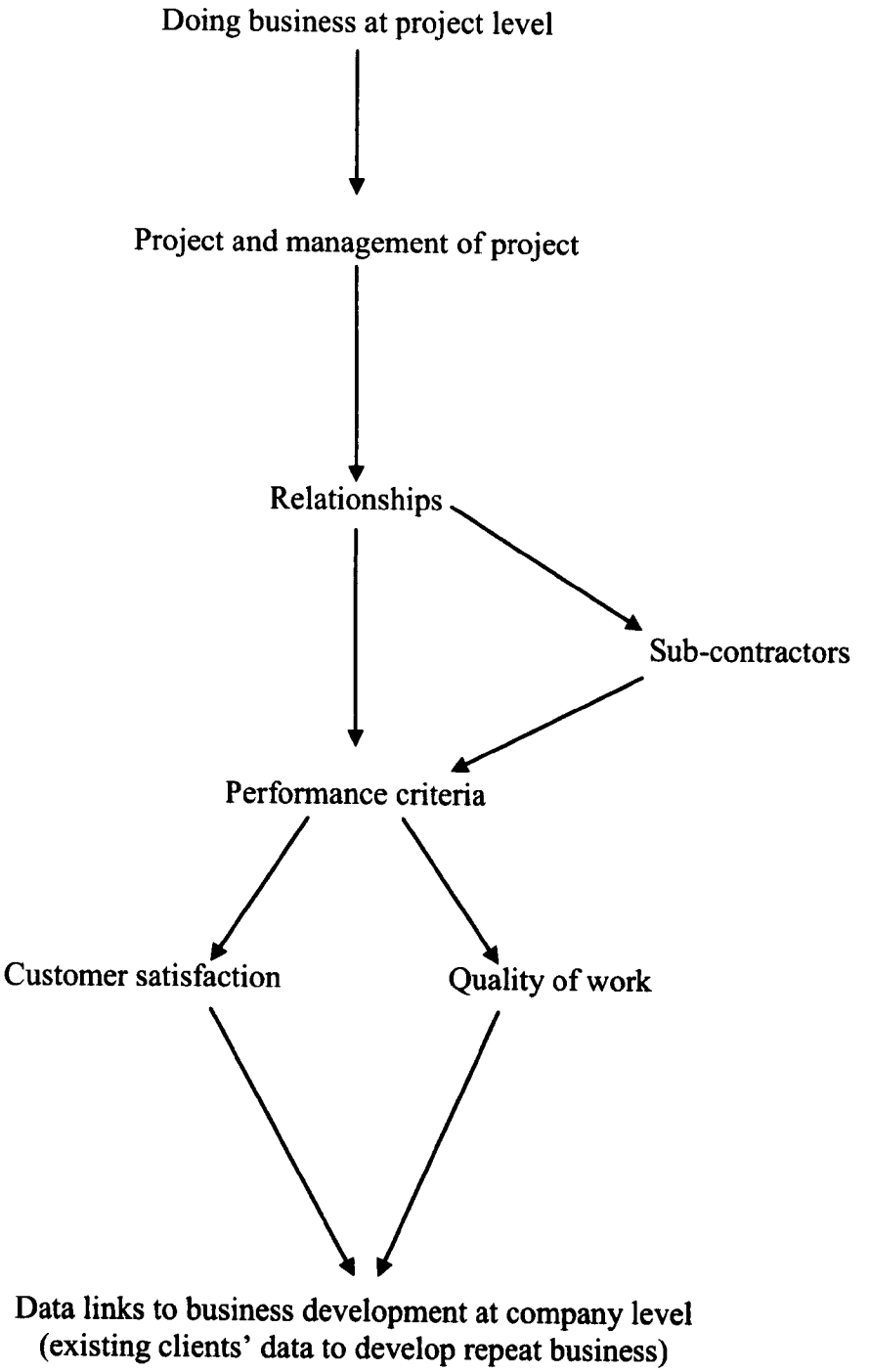



Figure 5.1- Simplified linear schematic layout of the Theme 2: the project level

## 5.2 Projects and management of projects

Interviewees described project level as their 'coal face' or 'doing face' of the business and without exception prioritised project/s and their management. Furthermore, project level processes are perceived as more central than the company's business level processes. It is supported by the following excerpts:

> *'...we've chosen the strategy was to keep the value of the company around where it is'* (Interviewee F1, Company F, 2007).

Also,

> *'...businesses are project specific'* (Interviewee D1, Company D, 2007).

And,

> *'[y]es, definitely. That's how we obviously... our reputation is probably how we get that work'* (Interviewee A2, Company A, 2007).

Interviewee F1 further described that driving projects through people and supportive management structure can establish a successful construction company.

> *'...at the end of the day if you are not delivering the projects then you are not making money. And it doesn't matter how many directors you've got, or how big the accounts department's monitoring is. Then it will not succeed. So we, very much focus on people and we've striven very hard to form a company where we have a family ethos. So that everybody knows each other. There is hierarchy but it is not waved as a big stick and the hierarchy is there to support not to wave the big stick. So there is a driver with what I've just said'* (Interviewee F1, Company F, 2007).

Interviewee J2 stressed that

> *'[i]f we* [directors] *can have a meeting on site, we'll have it on site rather than sit in the office. So we* [directors] *all visit sites all the time and the various board members are visiting sites all the time for one reason and another'* (Interviewee J2, Group J, 2009).

In line with the above, interviewee E1 regularly analyses projects against profitability which is their main business driver because it has an impact on type of work for the next job in the business development stage.

> *'...obviously each project we, every month, every board meeting we're formally looking at how the profitability on it. And if we see a trend where we are not making money on a particular type of job, we drop that and we will then look at as to where we're getting better and better'* (Interviewee E1, Company E, 2007).

The different points of view such as having preference to hold board of directors meetings on sites, frequent visits to sites by directors, motivating and building a

favourable culture and discussing project performance at board of directors meeting suggested that projects are important to those interviewees. Furthermore, all above analogies illustrated projects and their behaviour as one of the determinants of business development and thus create BP for a company. Therefore, the reasons to focus on short-term project concept were identified as:

(1) Noticeable short-term results such as profitability

> *'...project performance, where probably we should give more consideration of that.* [because]*...short term profitability probably, that way'* (Interviewee A1, Company A, 2008).

(2) The nature of capabilities available in a company favours certain types of projects.

> *'We know our failures...we know our good points. We are good at highways, because they are short-term projects; we can control lot better than the long-term projects. Because, we can't find a good contracts manager'* (Interviewee B1, Company B, 2008).

(3) The influence of management of projects towards the business strategy of the company,

> *'...it* [project] *is monitored every month, every week rather from the point of time and every month with regard to cost. If we got through a month period and we realized that there was a problem , then there would be a task force, board member task force put together to look at that job and say, ok is it time, quality, or is there another issue. The task force would generally comprise of myself* [director- design and build] *the QS*[21] *director and also commercial director and also the joint managing director. So the three of us look at it independently and say ok , what do we think is the problem, and then once we identified what the problem was we then put together a strategy of working through this. Yes, and one of the philosophies that we have within this business is you identify it early, if you can identify it early and action early then you minimize any cost. So, we're down to a kind of risk reduction and trying to reduce any impact'* (Interviewee F1, Company F, 2007).

(4) To develop long-term relationships with existing clients thereby develop more business.

> *'...what influences us very much in business development is first of all if we're working for a client, and we've successfully worked for him for a number of years that influences us to go to that client, look to that client for all of his business. If we are doing a new build job for him we would look to influence him to give us an opportunity in refurbishment because you know business is within our businesses which deal with that. So the first aspect is as much business as*

[21] QS refer to Quantity Surveyors and they are trained to control costs in construction production and or project management disciplines.

*possible with the existing clients' base. The second one is to look at what we do well. And obviously look at the aspects of* [project] *performance. Look at why we are making money out of something in particular. And why we are losing money in other respects. So constantly then you are looking, "Ok we seem to be very good of that. We want more of that". So that influences your judgment in business development terms' (Interviewee J2, Group J, 2009).*

The direct influence of project performance towards business development of a company was echoed by all interviewees except A1, A2 and B1 in many instances. Therefore, the need for regular and rigid monitoring and controlling of project performance which consequently demands more focus in management of project/s is justified.

(5) Relationships with people and the industry

*'...the directors now... you know they were the contract managers 4-5 years ago' (Interviewee J1, Company J, 2007).*

*'...most people in construction companies have come up through construction companies, I mean there isn't a great deal of transfer particularly in medium-sized companies between other industries' (Interviewee D1, Company D, 2007).*

Therefore, directors' frequent involvement in management of project/s was identified.

*'...I am a director but still push a broom'* (Interviewee A2, Company A, 2007).

*'... fact that we are fairly close to what's going on. Now the type of company that we run is one where the directors actually are fairly hands-on. ...and they are close to the projects,* (Interviewee F1, Company F, 2007).

*'...we get out there and find out. I visit sites* [Mr. C. Chairman] *visits sites. We are right there all the time actually finding out things for ourselves by physically looking really'* (Interviewee C1, Company C, 2007).

Then,

*'...I'll go and visit the site. And I'll find out for myself what is the, what I believe to be the situation, by asking them lots of probing questions and having a good look around'* (Interviewee H1, Company H, 2007).

Furthermore,

*'I also have a philosophy that in the construction industry things are always going wrong. So when people, I don't shoot the messenger, I expect people to be telling me that things are going wrong, because there is always things going wrong. And I don't shoot the messenger, all I ask is the person there to tells me what's going wrong, is that they are doing something to try to put it right. And we'll help them to try and put it right as a management team. And that when people keep telling me that they've got no problems, that's when I worry. Because they probably telling me Poky pies. Because I know that the construction industry don't work like that. So when people tell me that they got*

*no problems, then I'll go and see that site. Because that's generally that they are trying to pull the bull over my eyes'* (Interviewee H1, Company H, 2007).

The above indicated that directors' work at both levels i.e. project and company and the reasons identified are: (1) they have a fondness for projects and also an attachment for projects and (2) they do not have faith in what is happening as reported to them by their project members. As a result of not having faith in subordinates, interviewee A1 could not delegate his work which eventually restricted the development of the company A.

*'You should delegate your work. We tended to carry everything on our shoulders. Because, it is probably easier to do that than passing it to somebody'* (Interviewee A1, Company A, 2007).

And,

*'Even at 61 I still find it difficult not to get two hands on and not to have faith in my supervisors and probably it is easy to do now and it is far better for me to leave them to it and they lose tuppence a day and because they don't do it quite as I will do it. And we come back to the office and make pence doing something'* (Interviewee A1, Company A, 2008).

On the one hand the above confirmed directors' fondness for projects and their lack of faith in project level management and activities. On the other hand it established that, directors have vast experience and understanding about projects. Therefore they understand the usefulness of projects in creating business development and eventual BP for the company.

The reasons for prioritising project/s over the company can be summarised as, the initial plan for type of work originates at the company level, but business development of such work and eventual BP heavily depends on how they manage and perform at project/s. Since projects are the "doing side" of construction business they are subjected to heavy scrutiny due to performance criteria, regulations, and policies. Processes at project level consume more manpower and resources than a company's business planning and development processes. Since, outcomes of the project level processes have a direct influence on the company as a whole; interviewees have prioritised projects and their management (figure B1).

Above can be confirmed using different processes taking place in a company including project/s.

> *'...project performance is very important, because that's one of the things that underpins, and that's what the client sees. But how to help us deliver that better is about people, process, how we go about delivering that project or that product? And, yeah... I see that it's being a key thing, but you got to have a vision as to where you are going, you've got to be prepared to challenge, be innovative, within that arena of... or that environment to have a sustainable process, there got to be good processes, you've got to be able to challenge them, they are going to be delivering best value'* (Interviewee H2, Company H, 2007).

The integration between project/s and company can lead to developing BP for the company but there is a need for a clear vision of how to achieve it, which is indeed a company level process. The above scenario established that change to our thinking in project process can lead to delivering best value. Project is the outcome of company's obligation to produce what the company has contractually agreed with a client. Therefore, the short-term project concept has to be guided by the long-term business strategy of the company to deliver the best value to the client and the company. Furthermore, the company needs to produce a valued product because that is what the client sees at the end to judge the company which has the potential to develop further business.

Some interviewees prioritised and used the knowledge gained from working with different clients at project level as inputs for their future business development. As an example, refer to excerpts from interviewees G1 and J2 in p179 1st excerpt and p152 respectively. The idea developed is that there are methods available to use client relationships and information generated at project level when developing business at company level which is consequently capable of creating BP. Therefore those companies developed BP by working with an iterative approach between company and project level processes.

The following sections deal with different processes involved in the management of project/s to satisfy companies' business strategy through sub-contracting, customer satisfaction and quality of work. These are the three areas in projects which interviewees most discussed and considered as capable of influencing business development and thereby BP of companies.

### 5.3 Relationships at project level – Sub-contracting

It was recognised that eight companies out of the nine investigated generate the majority of their turnover through sub-contracting (Appendix 3, table 3.2). Company B which is a civil works sub-contractor, depends on a minority of their turnover being generated by sub-contracting. The usefulness of relationships with clients was discussed in Chapter 4, section 4.4. This relationship between client and the company is based on project related factors as described in the section 5.2 above. Therefore, it is argued that, the relationships between main contractor and sub-contractors have the ability to enhance the client's relationship with the main-contractor which is one of the influential factors of creating BP (figure B1). Therefore, this section inquires into interviewees' perceptions of relationships with sub-contractors as a tangible project outcome capable of building BP for the company (figure 5.1).

#### 5.3.1 Dependency on sub-contracting

All interviewees except interviewee B1 said they heavily depend on sub-contracting for construction production (see Appendix 3, table 3.2).

Additionally interviewee D1's description of flow of work demonstrated that company manages the construction programme but construction production is done by sub-contractors except for specialist works.

> *'... its marketing goes into estimating and goes into main operations and which may either be a separate design built teams that support operations, we operates through specialist works goes into main operations and obviously after that comes down to site management to our sub-contractors, with after care analysis, supported by our procurement team and quality, health, safety environmental team'* (Interviewee D1, Company D, 2007).

Interviewees' explanations suggested that the main-contractors decide the work load and type to be sub-contracted. They further demonstrated their limited engagement in actual construction production to specialist work through direct labour. However, they control and manage the whole programme of work in construction production through a specialist team as in above excerpt. All interviewees except B1 and C1 said the main efforts are on management of the production process than doing production.

Companies B and C are specialist sub-contractors. Interviewee B1 disclosed that sub-contractors are used sparingly.

> *'...I would think, as part of that 5 million pound turnover this year, only 200,000 is been sublet. So the majority of the work we do is all in-house all ourselves'* (Interviewee B1, Company B, 2007).

However, company C being a specialist sub-contractor maintained a supply chain increased the curiosity to find reasons to use sub-contractors.

> *'...we set up our own supply chain system where we were looking to bring all our sub-contractors together so that we could say you are in our team, we want you to be part of our future. We want you to maintain your future; so that if we can not guarantee but get you committed to our business, we can give you work over the next 5 years...'* (Interviewee C1, Company C, 2007).

### 5.3.2 Reasons for sub-contracting

Interviewees' explanations exposed different reasons to use sub-contractors. Interviewee B1 who is a civil works sub-contractor uses sub-contractors because

> *'...we need people more specialized than others, like for instance if we do deep drainage, we don't do very often we bring in people we know, we trust and they would do draining 6 meters down. We normally cope with drainage down 2 -3 metres but if get drainages that long way down you need people that know what they're doing. You can reduce the risk. We also use sub-contractors for concreting. If we've got to produce high specification floors we will bring in expertise of people'* (Interviewee B1, Company B, 2007).

The first reason is the specialist nature of work dictates the use of sub-contractors services. The second reason is the nature of specific work sub-let carried a reasonable amount of risk, thus, sub-contractors are used as a means of risk reduction or aversion for the main-contractor.

Interviewee A2 described the nature of project work from the point of view of the main-contractor.

> *'Basically a programme is set for a project. We'll then just look at the project ascertain, what external labour is required. Some projects obviously require specialist contractors or just normal general sub-contractors that we would just pull in, just to give us an extra lift. Because we haven't got enough labour to service all the contracts. They would (a) either be or known to us or (b) they are given to us by the architect or client'* (Interviewee A2, Company A, 2008).

One of interviewee A2's reasons – specialist nature of work; is in line with interviewee B1's identification above. Thus the third reason is shortage of own labour and the fourth reason is type of contract agreement between the client and the main-contractor where clients and/or architects appoint sub-contractors. Those sub-contractors are known as nominated sub-contractors in the industry.

Further, in line with the specialist nature of work,

> *'[s]o particularly on the elements like restoration where large contractors haven't got those skills; we can go and offer those skills on a sub-contract basis'* (Interviewee C1, Company C, 2007).

Therefore, sub-contracting specialist work which requires skilled craftsmanship is common in the industry and is a popular method in risk reduction/aversion for the main-contractor. This is the same reason which company C capitalised on, when they changed their business strategy from main-contractor to sub-contractor.

Then,

> *'[w]e are talking about say mechanical, electrical and those types of sub-contractors. We would go out to tender, we would tender probably to 2, 3 or maybe 4 sub-contractors'* (Interviewee F1, Company F, 2007).

So, the fifth reason is due to the amalgamation of construction work with highly regulated mechanical and electrical work. In this situation the main contractors do not have any other option except to use those services of certified or approved sub-contractors.

### 5.3.3 Issues in sub-contracting

Employment of sub-contractors for five different reasons identified above creates complexities with respect to management of a project. Interviewee A2 disclosed that the company is facing an issue with three specialised sub-contractors working with them in one project.

> *'...we're doing a project at the moment. It's very much how can I say... we are the main contractor. But there are 3 specialist subcontractors involved and it's more of a... allow our relationship is with contracts and subcontractors. It is more of a case that we'll working together as a one design team. That the job is evolving as we progress. And I would find that, that partnership of that and*

*getting the communication is where the problem lies on the job, you know, making sure that everyone is at the same point' (Interviewee A2, Company A, 2007).*

He acknowledged that, communication is very important between the main-contractor and all three sub-contractors for performance in the project. Conceptually, requirements for multiple parties are laid down clearly and linearly in an agreement. However, in reality, in construction activities that clarity and linearity is un-observable. Reasons can be due to the complex nature of activities involved and involvement of people of different trades and specialisations leading to gaps in communication. Therefore, this can adversely affect the relationships between parties involved unless direct managerial contact approach to management is considered.

From another point of view,

*'...I can hand over the first house after 18 weeks that we've have started on-site if all the processes that may be required to satisfy the electric supply...and I have to proceed down the route that they have at the moment it takes 36 weeks before I could hand my first house over. So that's a joke isn't it? Its nonsense - something has to be done about it'*

He further stated the delay is due to

*' they have to get a lot of legal things in place. It's the legal things that take the time'* (Interviewee H1, Company H, 2008).

In this situation interviewee H1 cannot dismiss the sub-contractor because the work on regulated electrical field is subject to its own regulations.

Therefore above examples confirmed that management of project/s becomes a complex criterion for a medium-sized company when depending on different sub-contractors for different parts of production.

### 5.3.4 Types of sub-contract agreements

To ease the complexities in managing sub-contractual work to some extent interviewees adopted different types of sub-contracting agreements. However, interviewee G1

explained the complications of such arrangements with regard to their work in decent housing.

> *'We are all the time looking what is the best way to do that is, because if you got somebody to supply and fix it, in theory you are actually packaging up more risk and passing it on to them. But it might be the case they can't buy the kitchen as effectively as we can. Because they can't buy 100,000 kitchens. So in that respect is often better for us to buy it as we are buying thousands of them. ...probably then of course is wastage, because if he is supplying and fitting, he only gets paid after fixing the kitchen. And if we supply and if he damages it then we have to supply another one. The industry is all the time actually looking for individual ways packages what is the best way to do it'* (Interviewee G1, Company G, 2007).

The explanation above is comprised of three main types of sub-contracting agreements in the industry which were echoed by other interviewees as well: (1) labour only, (2) material supply only and (3) supply and fix. Companies need to evaluate these methods separately with the type of work to be sub-contracted to find the most favourable method for all parties concerned. Generally, main contractor's decision is based upon the method with least risk to him. However, interviewee G1 revealed that buying power of materials and financial stability of the sub-contractors are also useful criteria to consider when deciding upon the sub-contractual agreement, because overall performance of construction production can enhance the relationship of the main contractor and the client.

In line with above, interviewee B1 preferred labour only sub-contract on specific work but,

> *'...if the sub-contractors need plant we hire it in for them. We only employee them only labour based. They may have small plants but nothing major'* (Interviewee B1, Company B, 2007).

The above indicated there is no fixed policy; it is the main contractors' choice to package their work to sub-contractors. It can also depend on the reasons for sub-contracting work and relationships factor identified above.

### 5.3.5 Selection of sub-contractors

Other than the nominated sub-contractors in a project; companies can select their sub-contractors. The following is an account of how main contractors select sub-contractors:

Interviewees did not employ any sub-contractor.

> *'It's not done on a ad-hoc, no. We have run for probably 30 years again or longer, what we call select of contractors. Those are sub-contractors that we know, have worked with us for a long period of time and we know the strength of'* (Interviewee F1, Company F, 2007).

Although the relationship between the main contractor and the sub-contractor is significant, interviewee F1 adopted a tendering system for the selection of sub-contractors for highly specialist work. It indicated that "cost" is an important part of their relationship.

> *'We would go out to tender, we would tender probably to 2, 3 or maybe 4 sub-contractors. We have already asked them whether they would prepare to tender and we work on the basis that, they give us their best price first time round. If they give us their best price first time around, when we've won the job, we would be talking to them to say we've won the job, we've evaluated ...you're the most competitive. We need to talk to you about this'* (Interviewee F1, Company F, 2007).

Interviewees preferred to select sub-contractors locally.

> *'...we will try and use local sub-contractors. ...I mean we got a job coming up at Southampton. We are not quite sure whether we will win it but we have almost won it. Which is couple of million pound office block to build. Now clearly we won't use Birmingham labour. We'll be trying to source the labour from Southampton'* (Interviewee J1, Company J, 2007).

However,

> *'[t]he difficulty is we don't know anybody down there and they don't know us. So that's the learning curve in it self trying to find specialists down there'* (Interviewee J1, Company J, 2007).

Interviewees F1 and J1's perceptions coincide on past relationships' aspect in the selection of sub-contractors. However interviewee F1 could benefit from it being a regional contractor; interviewee J1 has yet to see benefits of it having jobs more widely spread than interviewee F1. In such circumstances maintaining relationships with sub-contractors is not effortless. Therefore as a solution,

> *'...as they're* [company J] *growing are experiencing growing pains. It's good for the future. ...It's developing some of the sub-contractors with them'* (Interviewee J1, Company J, 2007).

Thus, interviewee J1's comment on 'developing sub-contractors' supported the observations on supply chain which was described in Chapter 4, section 4.4.2.

Similarly, interviewees C1, D1, E1, and H1 preferred to maintain and manage the supply chain; thus they pick sub-contractors for their projects from it. Interviewee H1 described the process they adopt as

> *'...at the start you should be good enough to get in. So it takes references to get in. Then when you are in you got to maintain a high standard of work in order to stay in. And we don't go throwing it out to every Tom, Dick and Harry every time. And perhaps saying right we will give this job to this chap here who is a man of straw, because his price is the cheapest, because that man may not have the ability to deliver another high scale job. So that's an art. So you are coming to the supply chain you are expected to perform, if you perform you get in if you don't perform then we talk to you about why is it you can't perform, and if you can't perform you're out. Then somebody else get the chance. And that's the way we do it. And if you are in the team and you are doing well, as you stay in the team you get more work as long as we don't give you too much work'* (Interviewee H1, Company H, 2007).

Interviewee H1 valued relationships developed through controlled and high standard of work. Thus, in addition to the relationship factor performance capability of sub-contractors is imperative to securing a job. Interviewees C1, D1 and E1 also adopted a similar process when they allocated work to sub-contractors in their supply chains.

Interviewee H1 highlighted the general arrangement between the main-contractor and the sub-contractor regarding pricing as,

> *'[w]hen we put in a scheme together we invite them to give us prices. Based on the extent of the workers involved in the scheme, they submit prices to us. Then we select from those prices that we receive which is the price that we will use in a bid. Then it becomes a constituent part of our price build up. And then we put our prelims on top of our overheads and profits and submit the figure'*

Furthermore,

> *'[t]he actual job costs generally are about just over 80% of the cost. Prelims tend to be about 11-12%, overheads and profits depends on the framework generally, it's about 6 or 6 ½ %...'* (Interviewee H1, Company H, 2008).

Thus, interviewees are still vigilant about the sub-contractors "cost" further to the relationship and performance factors. Then these factors create a competition among the sub-contractors for future job opportunities.

Some interviewees have used such competition to their benefit. Company G's work portfolio depends on partnering contracts but they do not manage an official supply chain. Thus to my question to Interviewee G1, so you have an unofficial list of sub-contractors who are working with you?

> *'Yes, we do. Because we are on long-term frameworks, we ideally recruit not just one kitchen fitter, or plumber or whatever but generally 3 or 4, 2 or 3 whatever it may be for that framework and they would, you know provide they continue to perform they would then generally continue to get the work'* (Interviewee G1, Company G, 2007).

The above is a situation where competition among sub-contractors is exploited by employing several of them for the same job. It might be a situation where the main contractor tries to get a job done as soon as possible or as a means of testing efficiency and performance capabilities of sub-contractors. It was identified that interviewee G1 sees the relationships with clients and sub-contractors differently. As an example they use open book framework agreement with their clients but not with their sub-contractors.

The findings established that the medium-sized construction companies manage and control the construction programme of their sub-contractors to remain in business. Therefore, it is recognised that a medium-sized company requires high intelligence/knowledge in management of company procurement, performance, relationships and people than the knowledge in actual construction production. The knowledge in construction production and craftsmanship skills are vital for sub-contractors.

### 5.4 Performance criteria

Interviewees without any exception shared the idea of client/customer satisfaction and quality of work as useful performance criteria to create business development and thereby BP in a company (figure B1). However, it was recognised that, customer satisfaction is difficult to separate from quality of work and other project deliverables such as time and cost. In this section the researcher was cautious not to separate the idea but to present

customer satisfaction and quality of work as two entities which were described by the interviewees with different management processes (figure 5.1).

Companies have different structures in place to develop company level relationships with clients based upon customer satisfaction and/or quality of work at project level. On one hand interviewee J2 described long-term relationships with clients as useful for their business development. Thus they employed a Construction Manager to look after their existing clients' future construction requirements (see p152). On the other hand interviewees A1, A2 and B1 (see p165) described how they simply depend upon existing project performance based on quality for their next job. In both cases they aim to control and manage their projects efficiently to get more work from the existing clients.

Therefore, customer relationship was considered as an integrating device to integrate processes at company and project levels.

> *'...customer relationship management if you like to maintain, if I close the circle. That's how we try and see it. If I come back to the point about, linking business strategy to performance, project performance. Okay what's we have is at a side there is the... we have this vision we have the basic idea of strategy is a route map where we want to go'* (Interviewee H2, Group H, 2008).

Customer relationship management will then be influenced by-

> *'...the quality of the work that we do has got to be such that we're invited back to do more work'* (Interviewee H1, Company H, 2007).

### 5.4.1 Customer satisfaction

Customer satisfaction has become a priority issue for many companies to the extent that it was used to benchmark the companies in the industry.

> *'...the difference between an average ...company doing that and a good company is the customer base/satisfaction'* (Interviewee D1, Company D, 2007).

In a framework agreement where a number of contractors are working; usually customer feedback results are monitored for individual contractors and also-

> *'[t]he client generally would share that. So if just an example Wakefield Borough council they got 3 contractors, they generally have a system where they share performance data amongst those contractors. So we know how we and the others are doing'* (Interviewee G1, Company G, 2007).

Therefore, some interviewees stated that they have heavily invested in systems to control and monitor customer satisfaction so as to convince prospective and existing clients that their business approach is surrounded by customer satisfaction.

> *'...the customer satisfaction is_embedded throughout the business. And we have all of our clients and ourselves have quite sophisticated customer feedback systems. So we know all the time how we're doing in the customer's eyes'* (Interviewee G1, Company G, 2007).

Interviewee G1 described the usage of an IT system where clients can access all project information on line and review the contractor's performance.

> *'...we have a... what we called OMNI – VIEW which is one of the innovations in* [company G] *which is an integrated sort of business system and it particularly serves the open book requirements. So our clients can go on line to our accounting system and to see what's happening. There are certain parts actually which are password protected, salaries and things like that. Generally speaking, so at all levels OMNI -VIEW drives in our business system'.*

In addition to the above business system,

> *'...[w]e also do a piece of work every now and again for independent research on our customers where they will anonymously talk to our customers and actually gets feedback for us'* (Interviewee G1, Company G, 2007).

However, they have found out that there is not much difference between their in-house computations and results from the independent researchers.

Similarly, customer satisfaction

> *'...to me that's number one. Because if we haven't got satisfied customers we are not going to get business'* (Interviewee E1, Company E, 2007).

Interviewee E1 prioritized customer satisfaction as their main business driver, because

> *'[t]here has been an issue in company that our customer satisfaction is not as good as it could be. It's lot better than others but it's not right up where I would like it to be and* [managing director] *would like it to be...'* (Interviewee E1, Company E, 2007).

Although customer satisfaction results are useful for business development, it can be viewed differently, thus leading to create an ambiguity in those results because

> *'...trouble with that is everybody's paying lip service to it as being you know client satisfaction is everything...'* (Interviewee F1, Company F, 2007).

Furthermore, the rationale for customer satisfaction is explained as

> *'[w]e're actually almost by accident fallen into retirement villages and we're doing very very well at them. We've got two national clients. That one of them is negotiating with us. So the Tewksbury, the one I mentioned that's one of the jobs that we could pick. We were building 6 million pound retirement village at Tewksbury just about to finish. It has gone really well. About 3 months 5 months ago they said to us, would we negotiate another one in Bristol Portishead on Western-super-mare. So we are on site there and now talking to us about a third one. Now that's fantastic. So that's 3 job contracts of 6 million pound negotiated'* (Interviewee E1, Company E, 2007).

Above suggested, when depending on repetitive business from existing clients the requirement of customer satisfaction criteria increases. Therefore, interviewee E1 identified customer satisfaction results as a useful criterion to differentiate the BP of their company from its competitors. This demonstrated a similar scenario to interviewee G1 above.

In line with those interviewees,

> *'...client satisfaction is everything and it is because that's the way you get the next job from. But you don't get clients satisfaction by the projects umm... by the quality being substandard by overrunning or by issues where the client is upset. If you can sort out the quality, time and cost issues then the client is going to be satisfied'* (Interviewee F1, Company F, 2007).

However, interviewee F1's idea of achieving customer satisfaction is through project deliverability factors and he believed,

> *'[i]f you can give a project good quality, on time, then the clients satisfaction is there as a prerequisite'* (Interviewee F1, Company F, 2007).

Therefore, they

> *'...send a questionnaire to all of our clients and ask how we can improve'* (Interviewee F1, Company F, 2007).

The above is the general method to get feedback on customer satisfaction. Interviewees A1, B1, C1, D1, E1 and H1 have used a similar system.

Alternatively, interviewee J2 collected customer satisfaction results at the closing down meeting of a project.

> *'...management is charged with addressing the issue of KPIs with people on site by the cost or production on site. And we obviously have feedback, we speak to*

*our clients, we ask our clients as soon as we finish the job we have what we called a closed down meeting with the clients. And we ask them to score our performance against certain categories, quality, safety, cost, time. We ask them to look at those issues on our KPIs. We look at them ourselves, we address them ourselves, we use scoring regimes as far as health and safety, number of reported incidents per number of days worked and these sort of things. The performance assessment is a whole 360 degree assessment using our clients'* (Interviewee J2, Group J, 2009).

Furthermore, interviewee C1 described a slightly different method to the others,

*'...we do a customer research as well. So we do have somebody that's employed one day a week basis to make sure they are happy they send their feed back forms. We get those back in. And then it's the architects' perception, the clients' perception. Sometimes we get architects perception* – [company C] *very good, good, good... and sometimes... well they did not respond to repairs or didn't quiet ... And you get a more balanced view. So we get that information coming as well. We do use that as well'* (Interviewee C1, Company C, 2007).

The above procedure of getting feedback from the design team and the customers/clients; may be required due to the different types of work and customers that a construction company caters for. However, the perceptions of customer satisfaction from clients and architects can differ widely. It can be further explained through interviewee D1's approach to – who are our customers?

*'It is combining customer facing operation where the customer means individual customers as opposed to corporate customers and our clients and big difference there'* (Interviewee D1, Company D, 2007).

Furthermore, individual customers are also different.

*'If you are refurbishing thousand decent houses a week and that's a thousand different families or people living in that houses which we got each one of them individual. You need to make sure their bathrooms working at night when you left them. That's a very different world actually'* (Interviewee D1, Company D, 2007).

Satisfying different types of customers/clients is a challenging task for a company. However, investigations exposed that some interviewees address it effectively. As an example interviewee G1 depends more on people with a customer facing background and less on people specialised in construction to improve customer satisfaction at their projects.

*'...I mean 1 or 2 construction people have to sort of being retrained. Generally speaking they are coming from a customer facing background. Because bear in mind the industry generally works on a business to business basis isn't it? I mean generally in the industry... in a construction company is selling a building to*

> *another company or group of people or local authority. And in this market although the ultimate payers are the local authority the customers are arguably are the tenants. Therefore it's a business to consumer offering. In the same way the market housing is private housing and therefore that does require different skills. So we tended to bring those sorts of people generally from call centres, some from customer departments in another business'* (Interviewee G1, Company G, 2007).

As a rule of thumb they look into equivalent qualifications such as

> *'That's NVQ actually in customer... I'm not sure but there is a relevant NVQ that we use. We don't necessarily insist on that. But when we bring somebody new in and we and they want to develop their qualifications and that would be a natural qualification to use' (Interviewee G1, Company G, 2007).*

Therefore the above combination of customer-facing and construction specialisms at construction production level can be used to improve the commerciality/marketing prospects of the business.

It can be further strengthened, by interviewee D1's understanding on their popularity in affordable housing sector has the

> *'...opportunity to bring in people from customer service facing background emm...and who have been in a particularly business to customer industry and that gives a very different dynamic we got people used to dealing with customers alongside site managers who're used to putting door and windows. And that actually giving a good mix of business and really liven the business up ...and it shows actually it is interesting to me look at the pure construction business like this and others. We tend to find there but people, customer facing people actually become the better managers and... and sites tend to be run by customer facing rather than the production managers which is moving away from the old product delivery'* (Interviewee D1, Company D, 2007).

Employing people with qualifications other than construction background at project level is new in the industry. It demonstrated the concept that the industry has shifted from "business-business" to "business-customer". In such an environment interviewee D1 stated that people with customer facing background make better managers to run the business than focusing on production alone. Thus, the above identification refuted that construction companies are merely project oriented without a company-wide business perspective.

As explained above, customer satisfaction is important for all companies because they use it to generate repeat business from existing clients. It was established from Chapter 4, section 4.4 and section 5.3 above that relationships are important to generate repeat business. These relationships are formed through the way a company handles business operations with its clients/customers and its production process through sub-contractors. Therefore, customer satisfaction depends upon type of work, type of client/customer and company requirements related to its business development approach.

All companies except company A; have systems in place to manage their client/customer satisfaction. The severity of this process can be further confirmed using interviewees G1, H2 and J1's explanations on usefulness of those results as input data for their future business development. Company A does not have any systems to obtain customer satisfaction feedback, instead they depend on good relationships based on quality of work for their next job.

It was identified that quality of work is important for a company to be engaged in repeat business to persuade the customer satisfaction factor. Therefore the next section deals with the perceptions of interviewees of quality of work and its influence towards the business development.

### 5.4.2 Quality of work

"Quality of work" has been discussed by all interviewees and considered as an influential factor of BP because of its capability to differentiate companies on project deliverability. Though quality is discussed frequently; it is an attribute without a single definition in theory. Therefore in practice, different companies adopt different quality standards and they have established management systems in their companies to deal with quality issues and are continually looking to upgrade those. Therefore, interviewees demonstrated an interest in investing in processes and people to maintain required quality standards imposed by their clients or the industry. It can be the consequence of the general understanding of the construction companies

> *'I think people are prepared to pay that little bit more for the quality, definitely'* (Interviewee C1, Company C, 2007).

Although, quality of work is one of the criterions used for business development in these companies, it does not exist alone. It is connected with other objectives of a company as characterized by business strategy and/or marketing.

> *'If we don't produce the quality you don't get repeat business. And what we are trying to do end of each job is get somebody to say* [company B] *do a good job, we can use it on our website'* (Interviewee B1, Company B, 2007).

However, interviewee A2 depends on quality excessively to generate work for them in absence of a business strategy. His perception of generating quality is through type of work and mature work force.

> *'Most of our blokes tend to be mature skilled blokes. So, the average age in the company is probably about 55 to 60. But then we find we get the quality rather than the quantity and bulk of our work is quality work. So it's on church refurbishment or church adaptations'* (Interviewee A2, Company A, 2007).

And

> *'...type of work we get and a lot of blokes feel quite rewarded in the work that we do, in fact like working in the churches they can go back and they can see something or they know something is going to be there for the next 50 years or whatever, its not just a job done... It's a case of providing that quality'* (Interviewee A2, Company A, 2007).

The above approach has its pros and cons because quality is different to different people and thus makes "quality of work" as a highly debatable attribute. This was perceived by some interviewees and they adopt a standard system to maintain quality of work in their companies.

> *...we will work to a standard of work that complies with BS[22] 8000, which is the recognized standard for the quality of workmanship on a building site'* (Interviewee H1, Company H, 2007).

> *'... ISO 9000[23] and yes we do KPIs. I think the quality system we do, we have a quality management system. Now in that quality management system, we have set procedures, every department except special projects, have to comply with'* (Interviewee J1, Company J, 2007).

> *'... ISO 9000 which is standard, the industry standard. The world wide standard'* (Interviewee F1, Company F, 2007).

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[22] BS 8000 – covers workmanship in construction

[23] ISO 9000 – a set of guidelines and clauses to manage quality in construction process with a business initiative.

Although ambiguous some interviewees demonstrated an interest in environmental performance measurement systems to improve quality of work. Interviewee G1 said that company D has

> *'...invested in ISO 14000[24], because they do see it as ways of differentiating the business. But I think that's come down to the leadership'* (Interviewee G1, Company G, 2007).

Interviewee G1 said they use,

> *'BREEAM[25] is the Building Research Establishment Environmental Assessment Method - BREEAM I have used that. Because most buildings now environment quality of the building is governed by the BREEAM standard. So clients says my new health centre must be BREEAM excellent and what BREEAM excellent is, that things comes down to energy and waste and water and all respect'* (Interviewee G1, Company G, 2007).

Interviewee E1 is currently engaged with ISO 9000 but plans to change.

> *'We are addressing a bit of environmental but we are not addressing it enough. So for instance in the next year we will almost certainly go for ISO 14001[26]'.* (Interviewee G1, Company G, 2007).

These are examples for different quality assurance (QA) systems and environmental performance management systems used in the industry. They all induce the business benefits to a company. Interviewee G1 said the selection is mostly based upon the leadership. Furthermore, the type of work and market opportunities influences the selection of the system. Those standard systems in one entity have similarities and differences. In common, those standard systems offer clients the benefit that their construction product will conform to the standards adopted. Therefore, clients tend to think that those companies offering such standards are more reliable than the rest. This will indeed make an optimistic point towards business development of that company.

In some companies investigated; quality of work is given preferential treatment and QA directors and managers are appointed to manage it through business initiative. The aim here is to generate continuous and repeat business through producing quality work in accordance with agreed and adopted standards with their existing clients.

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[24] ISO 14000 – is an environmental performance measurement system which has business benefits

[25] BREEAM – this system assess the environmental and sustainability issues

[26] ISO 14001 – branch off from ISO 14000, an environmental performance management system which has business benefits and addresses specific issues

Interviewee E1 is the director who deals with QA, supply chain, marketing and office management at company E.

> *'...our QA, Quality Assurance is a massive system we do QA awarding. I've got a guy; a manager goes round to sites practically he'll go twice on a site and to satisfy ISO 9000. He has to check some things and he does check list there and we are alright but...'*

He continued,

> *'[m]y expectations are very strong. I'm determined to put in. Because I'm responsible for QA and I know again it's not being done as well as it could. I'm not blaming people. It's too cumbersome far too cumbersome'* (Interviewee E1, Company E, 2007).

Interviewee F1 said-

> *'...we look at all 3* [time, cost and quality] *to be honest. We look at time which is monitored through the contracts managers through their meetings. That's then is reported to the board. Quality is reported because we have a QA system and that's then monitors it through to the board and obviously the money side is monitored very closely. Because of the QS and that is reported every month'* (Interviewee F1, Company F, 2007).

Also Interviewee H1,

> *'...our system is based on BS 8000 and I say we will always give you work that will comply with BS 8000, if you want it to exceed what BS 8000 say that I can do. Then I can't do that without you paying me something extra. Right, so we've got a basis for it, that tells you what you can and you can't do. So then we have a series of check sheets'* (Interviewee H1, Company H, 2007).

All interviewees except A1, B1 and C1 demonstrated that they manage quality of work at project level through well regulated standard systems. However none of those companies used EFQM system which was employed as a tool in this study to enquire into BP. Interviewees B1 and C1 also demonstrated that they are concerned with quality of work and those results are used to advertise their companies to secure future business. Interviewee A2 solely depends on quality of existing work for future jobs in the absence of a business strategy. Thus, companies A, B and C also use quality criterion without the use of any standard system.

## 5.5 Chapter summary

The interviewees demonstrated that the short-term projects are managed with an aim to influence long-term business strategy. They employ measures through human and/or technical skills in management to amalgamate these long-term and short-term management concepts. Examples are the selection criteria for sub-contractors, customer satisfaction analysis and QA systems. Though employed at the project level these systems have the capacity to develop into input data for the long-term business development concept through effective management at project level (figure B1).

The findings so far demonstrate that construction companies are working with long-term and short-term management concepts at company and project levels respectively. Due to the nature of the construction business, construction companies are required to work with both of those concepts. All interviewees except A1 and A2 demonstrated the capability in integrative approach of short-term project concepts and long-term business drivers. The next chapter will be discussing such approaches taken by interviewees to create BP for the company.

# Chapter 6 - Doing business – the integration of company and project

## 6.1 Introduction

The purpose of this chapter is to understand the interviewees' perceptions of adopted integrated processes in their companies and their project/s in relation to one another. Chapters 4 and 5 indicated that all interviewees except A1 and A2 attend to company and project relevant processes which were influenced by one another to create business performance (BP). However, the majority of interviewees on the one hand tend to separate those processes between project and company levels. On the other hand, they tend to link project and company through the same processes. This led to an ambiguity in understanding the creation of BP in those companies investigated. Figure 6.1 below show the structure of this chapter in addition to the discussion in pp131-132 and the figure B1.

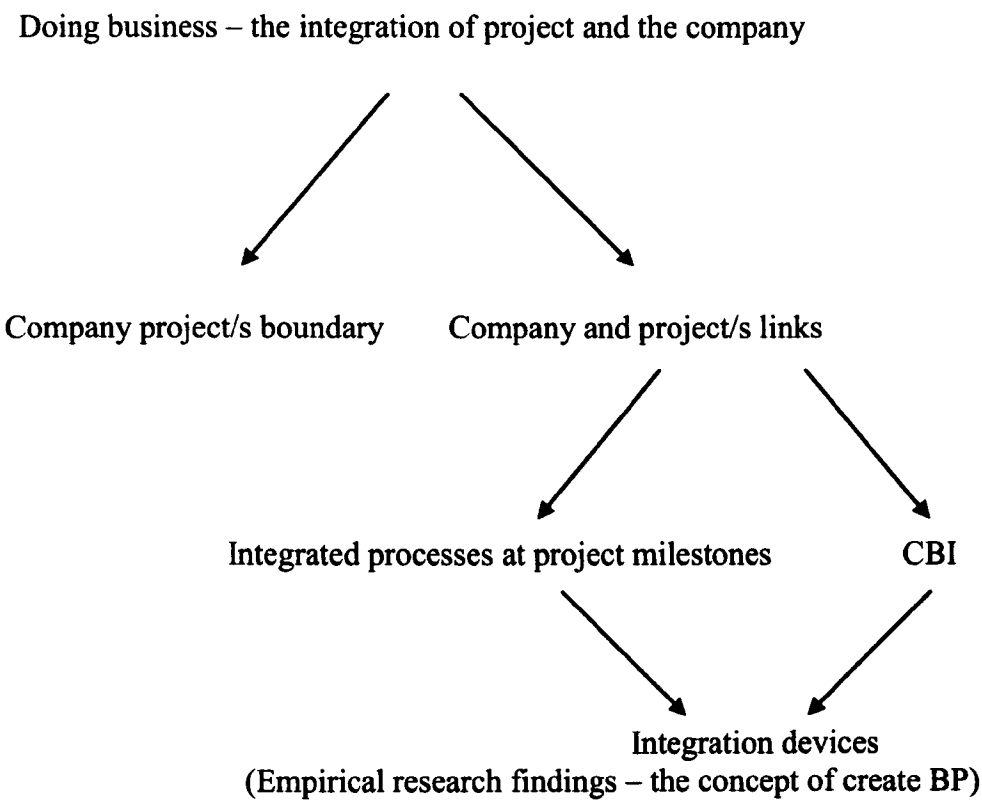


Figure 6.1- Simplified linear schematic layout of the Theme 3: the integration of company and project

## 6.2 Company and project boundary: explicit or implicit?

The following is an account of interviewees' perceptions of company and project/s.

Company and project is separated.

> *'We do distinguish between the two. Because that's quite critical that is production. That's the coal face in the business. Here* [raising the hand up] *commercially you have to run it as separate, sort of the thinking process. So we got a clear vision on the separation between the two definitely'* (Interviewee C1, Company C, 2007).

The project is identified as

> *'...construction side of the company or the actual doing side of the company'* (Interviewee F1, Company F, 2007)

All interviewees identified company as the place which plans business activities. Therefore the above explanations separated construction production at project level from business development at company level. The processes such as; how to procure business, what business is lucrative and designing the business plan are indeed company-wide processes. However, the previous Chapter 5 demonstrated that those processes are significantly influenced by project performance.

However, the business plan described by interviewees in Chapter 4, section 4.3.1.2 considered project level characteristics such as type and size of projects and related processes to develop business. Briefly, it has considered all processes irrespective of company and project which can be performed with the present management capabilities in addition to the expected project characteristics. Thus, this company level process has not left any provision for company and project to work independently of one another. What it declares is that, at the business planning stage both levels are inter-dependent. So, it strongly demonstrated that both project level and company level processes provide stimuli to one another instead of a separation. The usefulness of a business plan was discussed in Chapter 4, section 4.3.1.2 as a device for joining long-term company and short-term project concepts.

However, the generalised differentiation between the project and company expands into business operations. It was perceived from the point of view of people's engagement in processes.

> *'I think it is because there is different staff team on that job to a different staff team on that job. They are running individual cost centre. So everything is purchased for that job is allocated to that job. Staff costs are allocated to that job. Overhead costs are allocated to that job. Now at my level all those costs would stay with that job from start to finish. Now when we have monthly meetings and when we have end of close out meetings at the end of that project. That both of those projects, this one might have made money, this one might have loss money. Now at my level they stay like that. Now, when they go above me to the board, to the financial director, he may move money across to show both jobs have done well together, this one probably take some money off to* [balance the situation] *he may do'* (Interviewee J1, Company J, 2007).

The above demonstrated a method of managing project costs within the project level by project managers. At the completion of the project, that information is transformed as company cost information. During this transformation the financial director can change the focus of project cost information to satisfy different requirements at the company level. It informed the engagement of company and project in integrated processes. Consequently it increases the inter-dependency between the two levels.

There are acceptable processes to follow at both levels.

> *'...yes we have a sort of formal book that says how we do it. I think it has a clear understanding in the team about the differentiation between the two* [project and company]*'* (Interviewee D1, Company D, 2007).

However, the broader vision between the company and project are not separated throughout different stages in business planning and project operations. Instead they are linked together and thus, processes at one level influenced the processes on the other level.

Furthermore,

> *'[w]hile the project delivery is going on day in and day out and we are getting performance data from it. So as a result of that data say we may decide to implement something which improves our business. We generally do that by piloting it. So rather than try and do something across the whole business we probably actually say OK, this would seem to be an area for improvement but then lets do that one region and just see the effect of that and then roll it out. So that comes back, eventually then once it's in that region it will be cascaded down to project delivery'* (Interviewee G1, Company G, 2007).

The above is in line with the systems theory, where everyday feedbacks from project/s are transformed to provide input information required for the company's business development. Therefore, project data act as stimuli for company-wide improvements and one of the outputs can be BP (figure B1).

### 6.2.1 Links between company and projects

It was identified that the link between processes at company and project levels is significant to the extent that project and company processes are carried out with reference to one another.

> *'...the type of company that we run is one where the directors actually are fairly hands-on. ... and they are close to the projects, which is different to say and going back to one of the very first statements that are made, which we chosen the strategy was to keep the value of the company around where it is'* (Interviewee F1, Company F, 2007).

The meaning of the above term 'value' refers to the size of the company and therefore,

> *'...if we move the company forward we need another level of management which means up there is another link in the reporting chain. Which means that we would be further away from what's actually happening'* (Interviewee F1, Company F, 2007).

Above can be one of the reasons for company F to merge[27] with a larger national construction company as their regional building contractor instead of expanding the company.

Another example, where directors are engaged with daily activities in the day to day operations of the company,

> *'...we are still very involved in the daily running of it. I mean I am the director but also I still push a broom...'* (Interviewee A1, Company A, 2007).

The above, suggested that company A has prioritised projects as their main process and does not operate with a business approach. They have developed their business on the

[27] The merger at Company F has been completed in September 2007. They have not changed the way of working within the company; however their management structure has changed. Instead of five working directors -two joint managing directors each in finance and construction, design and development, surveying and marketing mentioned in this thesis previously they have three working directors now- general manager/director, commercial, and, design build and estimates.

basis of their hands-on practical knowledge with direct managerial contact approach to the construction processes. Since this company is driven by short-term project led vision its future is uncertain.

They could have avoided this situation by delegating work as discussed in Chapter 5, section 5.2. This demonstrated a situation which limits the application of hands-on practical knowledge to attend to company level issues.

Interviewee B1 is not in favour of expanding their business operations due to lack of management skills at company level which might trigger a loss in turnover (see interviewee B1's third excerpt in p141).

The above identified reasons: dislike of increasing management tiers, inability to delegate work and unavailability of suitable managers contributed towards stagnation in developments of those businesses. It can be established that interviewees F1, A1 and B1 have preferred to constrain their style of management in those companies to the level of face-to-face approach rather than to expand it. Therefore, it is argued that this reason provides the base for medium-sized construction companies to affiliate with a large group of companies where they are able to maintain the same style of management. Such a situation was observed during this study, in the case of company F where it merged with a large national contractor as their regional building contractor. Other than that, this feature was observed in this study where companies C, D, E and J were all construction companies attached to a group of companies.

The other option available is to pursue expansion, which means moving beyond direct managerial contact approach to management. Thus an issue identified – when the company grows in size; direct managerial contact approach tends to be lessened and grow closer to more formal hierarchy control management. However, it was recognized that some companies such as G and H make every effort to maintain elements in direct managerial contact approach irrespective of their size.

Interviewee H1 described the procedures of company H when a new employee start his/her tenure -

> *'...they get an induction on* [company H] *and the* [company H] *way and all those kinds of things. But I also give them a number of policy directives so and I talk through these policy directives with them. And I tell them that these are the most important pieces of papers that they are going to get. And it tells them how I want them to work in order to fit in with my business strategy, and I tell them that I work in the ways that are outlined in these documents. It's not going to make their life easier. But it's going to make them better equipped to do their job more professionally and better for the company and in line with what I aspire to do'* (Interviewee H1, Company H, 2007).

Additionally,

> *'...making sure they understand our original vision, our values, and that is done in number of different ways, communicated err... we have written communications, we have newsletters, we have a bi-monthly sheet of communication, I supposedly communication which talks especially about business improvement. We have a quarterly magazine called "i-know" which is about the company the projects it's got... it always pick out some good elements to what's the business is doing'* (Interviewee H2, Group H, 2008).

The above confirmed that the approach taken is a mix of face-to-face and policy directive paper based communication. Nevertheless, the main idea here is, before new employees settle into their new role they are given a full description of the company, type of work they are to be engaged on, the overall goals for the company and how they are expected to fit in with company/project surroundings.

Thus company H's structure facilitated direct managerial contact approach between project level employees and their directors:

> *'...you need some help, you turn around there should be somebody there helping you. If there isn't somebody there helping you, something is wrong and please be aware of that something is wrong, because there should be somebody there. And then you should be using the management hierarchy to say - hang on a minute here. I need some help here and I ain't getting it? So* [interviewee G1] *has told me when that happens something is wrong. And you will get to people that are my tried and trusted people who will immediately recognize something is wrong and then we have to deal with it. As soon as you get to fixing in anything that is wrong that's better from the business point of view'* (Interviewee H1, Company H, 2007).

The 'supportive management culture' described above is another way of direct managerial approach to management. Therefore, above is an example that this method can be successfully employed irrespective of the size of the company.

It was recognised that construction companies' processes cross-over from company level to the project and from project level to company with a certain degree of integration. An explanation on the selection or refusal of projects based on the business plan is an example for the top-down approach.

> *'...we've got a large project at the moment which I think we can get on the list.... We may well turn it down because it doesn't fit the business plan. It's a tough call there because some of the guys, middle managers won't like that. We've got one clearly, now I won't say much. We just started very successfully, a project that we make some money and the client likes us but he is now offering us a much bigger contract and it's a very prestigious, its in a sector, you know all have names on the television. Do we want that? The guys will love it'* (Interviewee E1, Company E, 2007).

Above description emphasised that at present they carry out project work aligned with company requirements collaboratively. However, interviewee E1 recognized that the board of directors' decision regarding the future lucrative project with the same client may perhaps not be well received by their middle managers. This might trigger a difference in thinking at company and project levels. However, this can be resolved by using direct managerial contact approach.

Then a bottom-up approach,

> *'[i]nterestingly we employ a mechanism called a collaborative planning workshop.* [interviewee H2] *introduced it which is great, because what that does is, it invites all the people into a room that are involved in the project, brick layer, ground worker, plasterer, carpenter, roofer, client, architect and they say - right how can we do things better and it's quite interesting that. Because you might have the carpenter that he was blissfully unaware that the heating man would like a certain part of his carpentry work done first, that enables him to get on quicker in his job and the carpenter will say Blimey, I didn't realize that no skin off my nose to do that first before other things and now that I know that I'll do it. And so that sort of philosophy prevails here'* (Interviewee H1, Company H, 2007).

The above is a situation where collaboration of work at project level is considered to fulfil the requirements at the company level. All participants expected to eliminate any

confusion before getting on-site. They do it through direct managerial contact meeting known as 'collaborative planning workshop'.

Another view which joins bottom-up and top-down approaches,

> *'[w]ell most of the time we generalize actually. The sort of work we do very few projects are unique and therefore if some learning of a project generally will be worth picking it up into other parts of business'* (Interviewee D1, Company D, 2007).

The idea is that the direct managerial contact approach can be extended throughout the business irrespective of size of company, project and different levels.

Furthermore,

> *'[f]or example say* [company X] *are doing this, should we be looking at that and are they getting differentiation out of it and see those results and if they're doing quite well. And then picking that up, yes we think this is actually good for us, at the company-wide level, and therefore we need to embed it down to the sites, you've to get them flowing up and down from the two ends from projects and from the business'* (Interviewee D1, Company D, 2007).

The above stated cross-over of processes from one level to the other is available and achievable. Therefore, it is possible to achieve integration in both ways considering processes in company and project levels.

It is further established that there is no boundary between company and project because,

> *'...certainly isn't a great divide down the middle of the business, then doing business improvement and then doing projects. I mean I'd like to think it is the case with all businesses like ours that people sees themselves involved in both'* (Interviewee D1, Company D, 2007).

And

> *'...to be frank in a construction company the two are very very closely linked. I don't know how you really distinguish between the two because at the end of the day we're not making widgets, you know a piece of engineering we're making you know it's a building'* (Interviewee F1, Company F, 2007).

In summarising the company and project boundary, different perspectives confirmed that processes at both company and project levels are greatly dependent on one another without having any boundary between them as literature dictated. Therefore, BP in a

construction company is indeed an amalgamation of performance at both company and project levels. Interviewees demonstrated that integration between company and project can be achieved through "direct managerial contact approach" to business. However an issue is identified – what is the required degree of integration between company and project to be able to create BP? Thus, the next section investigates the integrated processes adopted by interviewees using project milestones.

### 6.3 Integrated processes adopted in creating BP

The previous sections established that the board of directors are responsible for developing business in terms of suitable projects (pre-contract stage) for the company inline with its long-term strategy by matching opportunities with capabilities (figure 4.1). Once suitable work was acquired, it will be passed over to people capable of project implementation (figure 5.1). Consequently, company level processes in respect to management such as planning, allocation of human resources and finance are useful for these new projects.

Therefore, this transition between pre-contract and contract stages is expected to be a carefully managed process. It is assumed that estimating/tendering and/or the commercial/business department are responsible for it. Further, a company's top management is responsible for planning a smooth start and running of project up to its successful completion because

> *'...the business is all about actually, developing very effective processes and highly competent people and to deliver consistent results measured by the KPIs'* (Interviewee G1, Company G, 2007).

This section deals with the perceptions of interviewees on those effective processes integrated in creating BP using project milestones such as start of a project, construction production stage and project hand over (figure 6.1). Therefore, interviewees' perceptions on integration devices they use when transferring a project from pre-contract to contract stage were explored.

### 6.3.1 Start of a project

At the start of a new project, interviewees described how they pay attention to many factors such as rules and procedures, face-to-face meetings with people from the company, client and supply chain to achieve a smooth transfer. They make an effort to make their new projects act according to their "plan" for the project and the company.

Interviewee G1 described the process of transfer taking place between pre-contract and contract phases as-

> *'...is a big portfolio, I mean a huge box with all of information. We then have what is crucially important. This is the linkage in the two. A project handover meeting where the full responsibilities of the project move from pre-contract team to the post-contract team. Also often from one director to another director. And that's the point, not necessarily, because what we are doing in* [company G] *actually is the director is responsible for all work in his region as well.* (Interviewee G1, Company G, 2009).

The above described project hand-over meeting is not just a meeting. The portfolio mentioned above is a compilation of information that needs to be communicated from pre-contract to contract team. They achieve it through a direct managerial contact approach.

The idea here is not to lose information on pre-contract stage where the project was designed and priced according to the client's requirements by design and estimating teams. Therefore, this meeting tries to maintain that the client's requirements are fulfilled by making the said project a reality by the project team. This supports the availability of rules and procedures as an integrative device. There is a possibility of changing key personnel during transfer, however, company G maintains the same director between the two stages because they operate with a regional structure.

Interviewee G1 further emphasized that maintaining the same key faces between pre-contract and contract stages are important to the client due to their confidence built on familiarity and relationships at pre-contract stage. Therefore, at company G, the regional director acts as the key person in both stages. This resembles the integrative device – "direct managerial contact" is in use. Furthermore, the regional director,

> *'...certainly he moves one of his teams an estimating team to a production team a construction team. And that project hand over is very important. Therefore we have a quite a detailed agenda, a list of activities and discussions that we deal with the project handover and to make sure we bring the project or construction team up to speed. The industry isn't very good at doing this. And is particularly criticized in PFI bear in mind PFI projects take a long time to come from initial concept to even to get on site. And PFI clients will typically criticize the industry, because they meet a whole... all these people up here who was winning the job do not ever see again and a whole new team comes. But that is the way the industry tends to work. And we have our regional directors ... are responsible for work winning as well. So they at that level will oversee all of that process. So we don't swap from one director to another. It goes from estimating team to production team and a QS team. But we don't actually swap directors and that's quite important'* (Interviewee G1, Company G, 2009).

Interviewee G1 said that although this transfer is very useful for a business, some framework arrangements in the industry do not facilitate it. As an example, the PFI framework does not embed its usefulness. When it is used as the procurement method in a contract, clients criticize the industry; because clients have to engage with different teams. There is a possibility of losing some soft information during the change of pre-contract to contract teams. However, company G could overcome that problem partly related to their company structure and partly to their strategy in terms of customer satisfaction discussed previously.

Furthermore, a smooth start to a project can be improved by

> *'[b]usiness improvement have to be doing all the time there are always better ways to do things I find. And we use these skills of which* [interviewee H2] *with in helping us do that. We are always finding that, if you have difficulties here how can we improve that to not have difficulties again. And we introduce changes in what we do in the procedures that we do in order to make certain, we don't have those same problems a second time'* (Interviewee H1, Company H, 2007).

The main idea here is not to eliminate client's requirements when the project is ready for take-off by the construction team. He is also concerned that there is a requirement to avoid difficulties on-site in achieving clients' requirements as agreed with the pre-contract team. This is a common problem in the industry. Interviewee H1 expected to rectify re-occurrence of the same problems. Therefore, he preferred to achieve it as a company-wide process described as a collaborative planning workshop in section 6.2.1.

The collaborative planning workshop described above is more than a meeting; it involves all parties concerned. It can be considered as a process which initiates a smooth transfer between pre-contract and contract stage. It demonstrated the reliability of face-to-face approach to discuss what needed to be done to avoid problems at the transfer. However, it does not stop there as it has the potential to discuss the whole project activity taking place on-site with respect to its specific contents, potential problems and how to rectify them. This gives its participants a chance to build relationships and a platform to discuss how they can achieve project objectives efficiently and effectively through collaborative work. Therefore they use the integrative device- direct managerial contact to achieve the project success. They can also make an attempt to improve future projects from their past learning, therefore interviewee H1 considered business improvement as an on going activity in the company. It will be discussed in section 6.4.

Both interviewees G1 and H1 have given preference to client/customer requirements; since both companies use customer satisfaction as their strategy in business. The main idea which can be interpreted through those excerpts is that; they expect to transfer all ideas that the project is designed from pre-contract to contract team without any loss in those ideas. Therefore, on one hand they align the company strategy with their new project and on the other hand interviewees expect to govern the behaviour of the new project in a certain manner to widen their company's strategy. Above findings demonstrated that integrative devices used at the start of a project are – availability of rules and procedures and direct managerial contact.

There is evidence to show that these integrative devices are used by all interviewees irrespective of size of company or type of work (see Chapter 4, section 4.3.1 informal approach to strategy in companies A and B) Interviewee F1 further explained the use of integrative devices through 'round table' discussions,

> *'...we have found with clients and it doesn't matter whether it's a traditional contract. When I say traditional, I'm taking the D and B[28] view because most of our turnover is now on D and B. With a D and B client, we take the view at the very first meeting, we sit down and we say look we are all part of the team and we are sitting around it may be a square table, we are sitting around a round*

[28] D and B refer to Design and Build. It is a form of contract agreement used between a client and a company.

*table where nobody is taking sides and if there is a problem we will sit down and we will discuss It'* (Interviewee F1, Company F, 2007).

Above emphasised that direct managerial contact approach can be further extended as a continuous feature throughout the contract stage.

### 6.3.2. Construction production stage

During this stage projects are managed and controlled to derive further business for the company. Different types of project reviews are taking place to check the progress of those projects and also their alignment with the company's business strategy.

Therefore, projects are

*'...monitored every week through the construction side of the company or the actual doing side of the company, contracts management that's monitored. We have a report sheet. We evaluate, we see where there is a problem, or if there is a problem reported and if there is a problem reported then a member of the board is tasked with looking at the project and see what's going wrong and see that can be put right'* (Interviewee F1, Company F, 2007).

Project performance is considered from the point of view of profitability at monthly board meetings,

*'...obviously each project we, every month, every board meeting we're formally looking at how the profitability on it'* (Interviewee E1, Company E, 2007).

However, interviewee D1 said that project meetings are separate from board of directors meetings.

*'...there is monthly meetings on each project, the contract manager and the site manager and quantity surveyor and they go through a lot of detail there ... '*

Furthermore they have monthly

*'...CVC meetings - Cost, Valuation and Construction. That is more interested financial side we serve, project review, a detail project review which the MD and commercial director sort of run... '*
(Interviewee D1, Company D, 2007).

The above demonstrated three different ways of monitoring project progress. Interviewee F1's description of weekly project monitoring was not identified with the other interviewees except interviewee H1. The discussions about profitability of each project as

explained by interviewee E1 is also not common at majority of board of directors' meetings as discussed previously. The most common type of project monitoring takes place at company D. Monthly project meetings are then followed with 'CVC' and board of directors' meetings at different levels. Usually a set of minutes from the project meetings are sent to the directors. Similarly, three levels of meetings namely at project, regional/divisional and board of directors were identified in companies G, H and J (Appendix 3, table 3.3). Also companies B and C have separate monthly project meetings and board of directors meetings (Appendix 3, table 3.3). All these activities resemble the integrative device – appeals to the hierarchy in use within those companies. The exception to that is from company A where they do not conduct any formal meetings (see Chapter 4, section 4.3.2), but discusses project related issues informally which is in line with the integrative device – direct managerial contact.

Interviewee H1 described the type of information directors receive from projects and the understanding they gain from them as -

> *'I have a copy of all the programs that people work to for all the sites. Part of the weekly report is they fill in where they are on the program. So that I can see for myself what is the picture of that site. That's one of my sites... and now part of this trusting in that I call it periodically I'll stick in a probe and see what the reading is, like that... That is I'll go and visit the site. And I'll find out for myself what is the, what I believe to be the situation, by asking them lots of probing questions and having a good look around. And if I find a site that what has been sent into me is correct, then my trust goes up. If I go on the site and it isn't the way that they have been sending their report in then my trust goes down and I start to control these people a bit more. Because, you know they are not right. That's the way that we work. Now interestingly every month there is a formal review of where the jobs sit financially undertaken. So all these sites are reviewed every month...'* (Interviewee H1, Company H, 2007).

The directors' site visits are common in the industry and had been considered previously. Interviewee H1 demonstrated the use of trust and control principle as the management technique which benefits the client and the company. It coincides with the integrative device direct managerial contact because its approach endeavours to align company and project processes.

Not only directors but also their subordinates visit sites on a regular basis.

> *'Generally, there is somebody from senior management looking at the projects every week. So I might have a project manager or sorry contract manager he goes there at least every two weeks. I've got a project coordinator he is going there every two weeks. So somebody from the office is visiting the site'* (Interviewee F1, Company F, 2008).

Regular site visits by different senior managers demonstrated that construction production is important from different aspects to the management of a company. Correspondingly, interviewee G1 described the awareness of customer satisfaction during this stage.

> *'I get to the stage when the job starts on site and then actually delivering. So the pre-contract function which includes estimating will build up a big portfolio of information about the job. Both from all the specification and price stuff. But also, the basis on which we won the job. And most of our clients now do give us feedback; they obviously say what they wanted to be achieved not just in price terms. But actually in softer issues and generally have measures and KPIs on those softer issues. So we would know what we need to do to satisfy that client'* (Interviewee G1, Company G, 2009).

He acknowledged that the company is responsible for maintaining a smooth transfer between the two stages. They start the process at pre-contract stage by capturing client's idea and pricing it accordingly. Then the company has a responsibility to continue to produce and deliver what was agreed between the client and the company to the utmost satisfaction of the client during the contract stage. However, the client's requirements are not always in hard financial terms. Therefore construction production has to be achieved through better understanding and collaborative work between the client, pre-contract and contract teams. One way of achieving this is through direct managerial contact approach to management to understand the client better and aim to satisfy client's requirement based upon what they have agreed other than the cost of production. Thus the 'softer issues' demonstrated that there is an awareness of the usefulness of preserving inter-personal continuity and efforts to achieve it.

Interviewee G1 continued -

> *'Yes, same head but apart from that there would be different teams. I mean I think with the client, I think it is important, we think it is important that you always keep one personal contact on the ground at all time. I mean ideally you have at least 3 levels at organisation. And you got good relationships between*

> *the director and the head of the client and then the contracts manager and the site manager. Ideally and this is not necessary able to do all the time. But ideally you only change one of those at a time. So out of 3 relationships at any point in time you're actually only changing one of them. So if for some reason that relationship becomes difficult you got 2 others to rely on. So to use our analogy the regional director stays in contact all the time. So that relationship is there and the other 2 would tend to sort of you know the contracts manager will get involved earlier on than the site manager will. So we will gradually move the team over, not just have a point in time as far as the client goes. Because construction now is design and build, tends to be the designers and estimators are working with the client for a period of time. But the important thing as you say is, the overall director is responsible'* (Interviewee G1, Company G, 2009).

Interviewee G1 preferred to retain all three key managers: regional director, contracts manager and project manager during production stage without any change in face but emphasis is on the regional director. This is due to the way they operate the company with a regional structure and their main business strategy of providing customer satisfaction ought to be the responsibility of the regional director. Therefore interviewee G1 expected minimum consequences during the change of one of the other key personal during the production phase. An identical structure to the above emerged at companies F and H during contract stage.

In contrast to the above, interviewee J1 confirmed that change of any key personal in the production team does affect project performance.

> *'I have one particular project that is not doing very well at the minute, it's behind program. It's not losing money. But it's not making money. It's not making what it should make. But there are reasons why that's happening... One of the biggest things was the changing the site manager. We changed the site manager half way through the job... he got another job'* (Interviewee J1, Company J, 2009).

His emphasis is on the site manager. So this indicated that majority of responsibility of construction production at company J is dependent upon the site manager.

Although companies operate and manage projects differently, there is agreement that change of personnel can have negative impact on project performance. Thus, as a precaution to overcoming such problems during contract stage companies can delegate responsibilities evenly among key people. Alternatively they need to make arrangements

when one is leaving s/he is responsible to develop a substitute to continue without any set-backs to the company.

Therefore, maintaining company and project integration at contract stage is crucial. Companies make every effort to guarantee clients that their requirements are fully met during the production stage. To address this reason they created temporary cross functional teams as discussed above. It is another device which is responsible for facilitating integration between company and project in addition to the direct managerial contact through meetings at contract stage.

### 6.3.3 Completion of a project

At this stage companies reflect on existing project outcomes related to companies' business strategy. Therefore, interviewees collected useful information for future business development such as alignment factors between company and project/s, client information, performance characteristics of processes and people, and profitability.

Interviewee C1 explained the further use of previously identified integrative devices during a project wrap-up meeting.

> *'What we are trying to do is not just use written data; we get the team at the end of the project we all talk about the project. Then we get the perception from the site manager and the contracts manager and the surveyor. The site manager might say fantastic job, I loved it, it is the best job I have ever did. But the contacts manager might say we had the worst subcontractors and it was very difficult for me. Then the surveyor might say we did not make money, it was a nice job but we did not make any money. I think you bring all that together along with the data then you analyze the project - was this project good for us and then you can turn that into information that at estimating and tender stage, we can utilize it a lot .What were the lessons that we learned? How do we need to feed that back in? Does it have any effect on general strategy or our procurement process'* (Interviewee C1, Company C, 2007).

The project wrap-up meeting is capable of producing project data for future reference. The idea here is to understand different points of view from key project participants about the "good" and "bad" of the project just completed. Analysis of such factors leads to an attempt not to repeat "bad" in future. However, factors identified as "good" in one project are expected to be reused with/without modifications to suite future project circumstances

at the business development stage. He also mentioned contribution of those identifications to adjusting their strategy accordingly. Frequent change in strategy might create unsteadiness in business. However, there is enough evidence that other companies investigated use project wrap-up meetings to collect data for future reference and change their strategy in business accordingly.

The usefulness of the type of data collected through customers, project participants and internal processes is explained as,

> *'I think there are two ways really one is what's coming out of the customer feedback and the second then is efficiency / cost drivers. I mean those are the two things that would actually or continually prompt ideas of business improvement. So we're all the time looking at feedback we say how ... that's dropping it's not good as our competitors and what can we do about that? So that is the customer thing. And then internally we have internal benchmarking as well. So that is more regional, so we're all the time we are measuring how much cars cost us and how much site cabins cost us and whatever . So if Midlands region is spending more on something than the other 3 then we'll use that feed back or we got to do some business improvement. What's the reason for that? Is there need for some business improvement'* (Interviewee G1, Company G, 2007).

Interviewee G1 considered customer feedback and efficiency/cost drivers as useful factors to drive their business. He aimed to achieve a balance between high customer satisfaction and low cost. Therefore, he compared those factors among their regions with a view to improving their business as a whole. This is another approach to improve and align future project/s with the company strategy.

The above descriptions covered different points of view of interviewees' experience on different data they use at the end of an existing project to derive better alignment of company and their future project/s. However, the concepts behind those activities act as business improvement strategies and explicitly they are not merely a one-off process in a company or a project. Those processes are intended to progress within the systems adopted with a view to Continuous Business Improvement (CBI) through many cycles. Therefore, better processes remain within the company as processes facilitating added-value for different projects. Other processes experience further improvements and become recognized processes at a later stage and non-workable processes disappear from

the system. Thus CBI processes can be viewed as an integrative device in a company which is capable of joining company and project/s concepts.

Therefore, the use of CBI processes in these companies need to be investigated. The interview data has pointed to a comprehensive way of integration between company and whole life cycle of projects considering CBI process. It will be dealt within the next section.

### 6.3.4 Whole life cycle of construction process

The description below is the most comprehensive way of integrating company and its project/s to deliver value to all parties concerned.

> *'I do think it's comes down to people, process, values...for example we know the part of our strategy is... you know we want to be I suppose if we look at anybody's mission statement they want to delight the customers. Aren't they? Some of which we are trying to break down and understand what does that mean... what does added value really mean to our clients? So part of that is looking at the project performance level, so we therefore set and say okay considering where we are doing benchmarking of course internally and externally emm... and where do we want to be? Now that's if you like I guess goals for which we want our projects to be delivered against and you know that's the life cycle of that project, however, bigger than that it is not just about how we deliver projects from the start, on-site to actually handing it over to our clients. If you look at the complete life cycle of ...how we work or how our project is delivered, of course there are principles in there that we want to put in place. We want to make sure we can deliver best value to our customers...'* (Interviewee H2, Group H, 2008).

Interviewee H2 described that there are ways to consider developing overall BP in construction companies instead of being guided by the individual requirements of project/s separately. However, the interviewee's notion of project is different from that of other interviewees. The cycle of project considered here is much broader and longer than the general understanding of project; i.e. short-term one-off activity. The term project here covers the whole life cycle of a project which includes the use of the building.

The above described concept includes all activities in a company without separating them into project and company levels. He conceptualised the business as a whole. It has the potential to develop efficient and effective processes to deliver projects through

collaborative work between the company and the client. On the one hand it enhances the value-adding processes for the company, client and the product and on the other hand it reduces or eliminates non-value-adding processes in the construction production. Interviewee H2's description of his way of collaborative working to develop business which is capable of value-adding to the company, clients and product; indicated a positive change in the construction business.

Furthermore,

> *'I am into true collaborative working not just this idea of partnering we sign a partnering charter, have a group work and then work on as how we used to. Because that to me is not enough, we need to work on processes together, you know... and where we have the opportunity to do that is when we have longer-term partnerships or partnering programmes with our clients where we can really start to even challenge them on the processes that they use, which actually will help us deliver projects better. So working up front much as soon as possibly can and bringing our supply chain in as soon as we possibly can- say collaborative design, collaborative planning, collaborative costing - these tasks I think is well those when you get out on to site continuously improve. So these are essence or elements of things which I am trying to embed throughout the organisation'* (Interviewee H2, Group H, 2008).

Therefore, theoretically and empirically "collaborative working" can be visualized as a process which recognizes the complexities by all parties. They explore solutions together and decisions are taken collectively. This collaborative working among parties has the potential to achieve required customer satisfaction which consequently leads to long-term partnering with those clients. Also above description demonstrated; a way of joining short-term project and long-term company concepts through CBI process which is capable of providing positive impact on business development thereby creating BP for the company. It is further capable of creating a sustainable company.

Above findings revealed that usefulness of the whole life cycle of a project and collaborative working with clients and partners can enhance the BP of a company. Thus, it exposed CBI as an integrative process and will be discussed in the next section.

### 6.4 Continuous business improvement (CBI)

First, there needs to be a brief discussion about what "CBI" is, because the term "improvement" discussed here does not fall into the general understanding of the said term. It is not simply another process which tries to improve a business by trying to deliver growth in profitability for the company. However, at a later stage growth evolves indirectly before that it has a very contradictory meaning. Therefore, what this research describes as CBI is different from the general understanding of that term. To start with,

> *'[b]usiness improvement... ways of improving the business is diverse not just related to... everything relates to bottom line profitability but in terms of business improvement that could deal with improving the way you secure business, improving the way that you deliver, improving the health and safety. Your business improvement* [word unclear] *at the dictate of the board to look at certain ways of improving'* (Interviewee J2, Group J, 2009).

#### 6.4.1 Interpreting CBI

The term CBI discussed in this study is considered as the loop which aligns the long-term concept of a company with its short-term concept in projects. This is introduced as a strategy within a company irrespective of any boundary between project and company. It facilitates achieving construction production effectively and efficiently aligned with company's long-term strategy.

It was established that, companies use the services of internal and/or external business advisors, commercial, marketing directors/managers to make their companies long-term strategy. They tend to achieve it by matching market opportunities with company capabilities and other characteristics specific to those companies. This strategy set for companies to achieve in future consists of its business and its operations. Then to achieve that long-term business strategy, the same set of people or another team within their companies tend to implement those identified factors to achieve what is required to be done in the short-term. This study identified that some companies use a business plan to bridge this long-term and short-term business concepts. More commonly those short-term requirements are identified as construction projects in different sectors or the same sector. Then those projects are implemented and monitored in terms of their numerous

performance characteristics to satisfy the ultimate business strategy of the company by creating added-value for all parties and the product.

However, this production process does not merely depend on what client required and the company aiming to produce in terms of price and quality. More accurately it depends on soft issues such as relationships between the company and a client as identified previously. This relationship is complex because it can be affected by the slightest change in management style, type of contract procurement, change in construction techniques, materials or government regulations apart from possible changes in client' requirements consequently the agreed price. Therefore this cause and effect; affect the client and in turn it affects the company. This client-company relationship is not linear therefore companies are continually trying to improve their business approaches towards construction production by generating value to all parties. One such approach recognised here is "collaborative working" explained by interviewee H2.

Thus, my question "so you call this thing as business improvement which holds these projects and the company together" to interviewee H2 who is the business improvement director at group H; his answer was straightforward and very informative.

> *'Certainly that's how I see it. And let me just add another thing in there, every year err... the divisional functional heads are sets you know they have to think about their forward budgets and their plans etc. for next year you know may be 2-3 years, hence in terms of thinking about where they want to be in terms of the vision and the growth of the business and the type of the business we want to be. They have to sit down every year and go through a series of workshops with... the senior management team then to say okay, let's have a look at it, and we look at it, we review it, it's challenged and you know so we can see that is all still aligning you know so it's not just at this very high level, they also have to then several how-dos... the overall how do they want to sets a up their business... and the separate divisions what are they aiming for, how they are going to do it and then linked in with that then is the business improvement bit as another strand and that strand is in my view the thing which helps to... to tie them not only in terms of their annual view as to how they are intend to run and grow their business. But actually the business improvement bit is not about growth per se as you'd expect that. It's more about how they set up, how they operate, how they plan, how they improve, the culture that sort of stuff in line with what we want the business to be'* (Interviewee H2, Group H, 2008).

The above explanation, established that these business improvements are not one-off processes they are taking place continually within a company. It is therefore the reason to introduce the term – CBI.

These CBI processes are expected to close the gap between notions of company and project by working towards overall business strategy of the company by delivering a valued product and added-value to the company as well as the client. Thus this CBI process tends to continually look into areas such as (1) process – needs to be upgraded making it more efficient by eliminating waste (2) people – creating mindset of people to adjust to the new processes, management and improving skills required (3) product – to deliver a valued product. The direct managerial contact approach to management is considered in identifying areas to improve and the best cause of actions to follow. Therefore, it can be established that direct managerial contact approach is a useful feature in the CBI process.

Furthermore, it is assumed that CBI is a value process developed by covering planning, organising and monitoring processes to connect the long-term business strategy of a company with its short-term project performance. In so doing it aims to satisfy client's requirements considering and accommodating any changes as client is a part of this CBI process.

It was identified previously that companies have a requirement to carry out their work based on long-term and short-term concepts in management. Therefore, CBI can be considered as a medium-term strategy concept in its own right which facilitates aligning long-term company strategy through short-term project goals by recuperating processes and people in a company. This CBI process can be used throughout the function of generating BP for a company by value-adding to the company, the client and the product.

Further probing to get more clarification about CBI through my question "the word improvement is not just improving something, it is a connection you are making between two things"? Interviewee H2 described business improvement using the principles of lean construction.

*'If you broke down the definition of lean, it's about delivering exactly what the customer requires, yeah... using efficient and effective processes of waste free if you like, delivering more and more for less and less, and at minimum cost. So I try to take those principles and I apply that to people, to process, to projects, to businesses, to supply chains through the complete value chain and that's how I look at improvement. So I will try and take a helicopter view first off, so okay how should this value chain be set up, how is it currently operated- current state process, where do we want to be- so future state process, okay. So what am I going to do to get there, and of course you can then start deep diving into specific parts of that value chain to then start and say right... okay, you have already understand the performance of that and then I have a look at waste and issues and opportunities and things you can challenge to deliver it better and you take the customer view and you start to think about ...right okay. All the way along that process... what is the next supply...'* (Interviewee H2, Group H, 2008).

Thus, CBI processes can be considered as a significant concept which needs to be given preference in creating BP in a company. These CBI processes work on contingency theory principles as demonstrated; it tends to match opportunity with capabilities through the structure of the company. Therefore, when a need was identified for improvement at any level (examples are discussed below), it is improved through an iterative approach which covers people and processes in a company, current project and/or future projects.

Therefore, the above identified CBI process provides the missing link between long-term and short-term business concepts. This process can be considered as a medium-term concept capable of creating BP in a company. It was further strengthened through the examples given by interviewees on how this CBI concept fills the gaps between project and the company in terms of processes and people by fulfilling the clients' requirements.

### 6.4.2 CBI in action

The reason for doing business improvement is

*'I think really business improvement is always set against the threat. So the areas in which you look to improve your business is where you feel most threatened. And at the moment you feel most threatened in terms of the ability to obtain work. Business improvement therefore is talking to your subcontractors and your supply chain about lowest cost, quickest delivery'* (Interviewee J2, Group J, 2009).

Performance criteria and relationships are identified by interviewee J2 as useful features required improvement in a construction business at present.

Following are examples to demonstrate how CBI could be put to use to enhance processes in a construction company and project iteratively aiming to deliver a valued product.

The performance and relationships in the overall construction process are aimed to improve using the CBI concept

> *'...in business improvement we're asking ourselves, how can we improve our offering in the external market, our cost base our processes and whatever. Now all those are company-wide issues, some of which are project issues. But generally they are company systems, company-wide systems. I draw a distinction between project delivery which picks up some of these but basically is not necessarily individually, our projects, for examples doesn't run the appraisal systems. The business as a whole will be looking at people appraisals. You get appraisals irrespective of which project they are. Whereas, let me take a project example. Waste management once we have an overall policy; the sites are very much involved in the delivery of that. So one could pick up a number of these business improvement issues which are the only way we get them to embed into project delivery'* (Interviewee D1, Company D, 2007).

Interviewee D1 demonstrated a two way approach in business improvement at company D. Its primary concept is to balance opportunities with capabilities. Those systems at company D flow between company and projects with implications to one another which in turn satisfy the integration criteria between project/s and the company.

In the excerpt above, the company is responsible for appraisal of all its employees irrespective of which project they are attached to. However, this might raise a few concerns among employees as, on the one hand uniqueness of projects, complexities and uncertainties in projects can influence employees' performance. On the other hand it is appraising people working at different projects. The company can develop a system to reflect a balance between types of project processes related to employees' performance. However, the type of system adopted at company D is unclear but they consider all projects as company-wide systems not as separate businesses of their own right.

Furthermore, the problem of waste management was identified at the project level. The improvement process to handle and manage waste was developed as a company-wide

process. This company-wide process is required for effective and efficient delivery of all projects. Thus it has developed favourable measures to management of projects as interviewee D1 does not separate individual management in projects. He further stated that improvements to company processes are considered when there is a sufficient gain at project level. So any improvement done in one level; its out-come is fed back to the other level as in-puts. These improvements are subjected to continuous refinement. Therefore, this establishes that company D adopts CBI process.

Similarly, interviewee F1 described a problem at project level with an improvement considered as a company-wide system and its significance towards latter projects and the company.

> *'Within construction on site one of the major problems that we had is getting electrical, gas, water, main services connected and that's caused us immense amount of troubles. So we looked at how we could improve that scenario and we started, came from the point where each individual project, the contracts manager and the quantity surveyor got quotations from the utility companies eventually and then placed the order and monitored that through to getting the connection on site. But it was done by individual people for an individual for a specific project. So we looked at how we could improve that and we came up with the idea of we ought to have that centralized. So that there was one person talking to the utility companies. Because we realized that in actual fact, most of our utilities came from probably 4 sources or may be 5 sources. So if the person could actually be on a regular contact we would more likely to improve the supply of the service. So we actually put in place a utilities person, a lady and she has now improved that service to a point where she knows all of the people – (1) we can get quotations very quickly and (2) we get the service on site quickly'* (Interviewee F1, Company F, 2007).

The above method demonstrated how companies try to create BP relating to practical situations appear at projects. The above explanation has close relations to an analogy of CBI process and contingency theory principles. A continuous problem at project level was analysed and company directors take the initiative to improve the system from company level which has the benefits to the company, clients and the product. Therefore they have appointed a single person to deal with all service providers at the start of new projects. That person builds a relationship with those service providers representing company F on all related matters. If any clarification is needed from the company to the service provider it will be handled centrally.

Therefore this system has the capability to expedite the service connections to projects. The effectiveness and efficiency of this system is beneficial to the company, client and the product as it (1) eliminates undue delay in starting the project which has serious consequences in terms of project deliverability, (2) builds more confidence in clients about company F and with high possibility of developing future relationships and (3) enables to delivering a valued product.

Furthermore, interview F1 justified the added cost on above improvement method

> *'...although it was difficult to justify paying a salary for a person to specifically do that. We looked at how much cost actually accrued over a 12 months period, fell over, because we were really shocked and then realized that we can probably justify that'* (Interviewee F1, Company F, 2007).

Companies are cautious when changing their processes due to cost factor. However the above change process described by interviewee F1, has justified its cost implication against the improvement on project deliverables within a 12 month period. This supported the management of projects approach over the individual project management approach.

Above interviewees considered the CBI process as a core process and as an integrated function between company and project. Management of such a process is important. However, there is a danger of having a separate unit to manage business improvement in a company.

> *'Because the danger is that, separate department having health and safety or a separate department doing anything else, because the problem then is the main stream of the business then understand it as that's their problem, let them get on with it. And the main stream of the business doesn't engage in those things. I mean to me health and safety is a core aspect, business improvement is a core aspect, human resource managing people managing are core management issues what we do'*(Interviewee G2, Company G, 2008).

Similarly, achievement of CBI at company H is through a company-wide cross-functional system.

> *'In each division each department we have business improvement champions and they co-ordinate the process of putting that in place with their divisional heads or their departmental heads and they are then not responsible for delivering all of that, they then have sub-champions. So we have work stream champions. And effort we have put in place is almost a formal mechanism to try and help the*

*change process and focus people on the things that should be focussing on, and that includes project performance. Because we look at quality, cost and delivery and tenants' or client's satisfaction all operational measures which look at how well a project has been performed. But we are aligning it into where we want to be in terms of the strategy'* (Interviewee H2, Group H, 2008).

Interviewee H2 considered CBI as a change process and also as a value added process. He used a formal mechanism to manage and monitor changes required to processes and people through appointing champions and sub-champions from the same department where the change is required. It is expected that they enhance the CBI process through their previous knowledge and experience of the process undergoing improvement. These individual co-ordinators act as a useful integrative device in process implementation.

Similarly,

*'...one needs to be bit more formal is where it's cross functions in the business. So where the business improvement doesn't just rely on one particular department or one team but needs a number of teams to engage. In which case one would normally look at sort of setting up a steering group with representatives of the various departments and particularly then have a project champion and I think the more complicated that business improvement becomes the more the project becomes more important it is to have a champion for that. And if its a big project it would certainly be a director level champion but certainly there need to be somebody taking the responsibility for that because in my experience we have a cross functional cross departmental business improvement project, then the all of them will say ...they should be doing that and they're doing that then we got to have a coordinator and a champion so that's the sort of process'* (Interviewee G2, Company G, 2008).

The participation of cross functional teams from different departments attending to CBI is a useful feature. It strongly indicates that CBI concept overlies both business development and project performance functions in a company. Therefore, it acts as an integrative device.

*'...we got business development if you like and construction. But I think business improvement actually overlays both of them. And I suppose let's take an example. If we found out from a client and we really do, that we're not meeting their aspirations, we are falling short of what they expect of us. That may well involve business improvement in both of business development function and the project function. And therefore the teams there would be working together to an overarching business development project. A lot of work what we do in business improvement projects, you know is little chunks of this in construction or in business development'* (Interviewee G2, Company G, 2008).

Therefore, in construction practice CBI means delivering what a company has promised its client at the pre-contract stage through contract stage by means of a value product and eliminating unnecessary constraints between client-company relationships. Therefore, this process is capable of eliminating non-value added items and enhancing value added items to both client and the company thereby achieving a valued product. It is facilitated through collaborative work between all parties with respect to processes for the delivery of the product to the client upon requirements they have agreed or better than they have agreed. The CBI process described here is the means of achieving the product delivery by considering utmost client satisfaction beyond the standard project delivery thus facilitating future business development with the same client. In this respect, the CBI process can be termed as a medium-term business strategy; useful for a company which works with short-term and long-term business concepts.

## 6.5 Chapter summary

It was established that all processes in a construction company and project are greatly dependent on one another. They use integration devices as identified above to enhance their whole construction business and consequently to create BP for the company. Of those integrative devices, a "direct managerial contact" approach was used by all interviewees irrespective of their company size, structure or turnover. The CBI process acts in several dimensions to provide the missing link in the construction process. They are- (1) it integrates company and project/s through people and process (2) it improves performance in one level and relates it to the other (3) it improves relationships between parties aiming for collaborative participation with a value-adding approach and, (4) it acts as a medium-term strategy linking long-term business strategy and short-term project strategy.

The majority of interviewees are engaged with CBI processes with a value-adding approach to the company, client and the product. Thus they work collaboratively with existing clients developing relations which in fact are used as a mechanism to develop future business for the company. Therefore, the arguments levelled by critics that construction companies are project oriented (Chapter 3, section 3.5.3) is further refuted by these findings.

# PART C

# PART C – Evaluation of research

This part includes the chapters on research synthesis and conclusion. Thus this section brings together the previous two parts of this research.

Chapter 7 evaluates the research findings empirically and theoretically using the analytical tool in figure 7.1. Chapter 8 concludes this research summarising the findings, defining BP and uncovering implications of this research to main areas in construction management research – literature, methodology and theory.

# Chapter 7 – Research synthesis

## 7.1 Introduction

The aim of this chapter is to bring together the empirical findings from part B with the theoretical understanding generated from part A of this research. In doing so, section 7.2 synthesises the empirical research findings from part B. It discusses, using the three themes, what companies do to develop business, and companies' involvement in construction production. It further discusses the usefulness in strategy-in-practice in creating business performance (BP).

Section 7.3 justifies the use of the theoretical approaches employed in this inquiry. Section 7.4 discusses the researcher's interpretation on creation of BP developed through interviewees' perceptions. This discussion evolves around processes and people in construction companies and its project/s using theoretical concepts: strategy, performance integration and relationships. These concepts will be defined with a special meaning for medium-sized construction companies. This section describes the powerful use of the integration device "direct managerial contact" by all companies irrespective of size of company and its project/s. Finally section 7.5 summarises this chapter drawing connections between construction management (CM), organisational behaviour (OB) and systems thinking used in this inquiry.

Figure 1.2 - research diagram 1 from Chapter 1 which was used to describe the area of this inquiry was further developed to figure 7.1. Therefore figure 7.1 describes the connectivity in theoretical and empirical processes adopted in this inquiry to construct BP. Furthermore it is used here as an analytical tool to explain the empirical findings and their relatedness to the theoretical concepts.

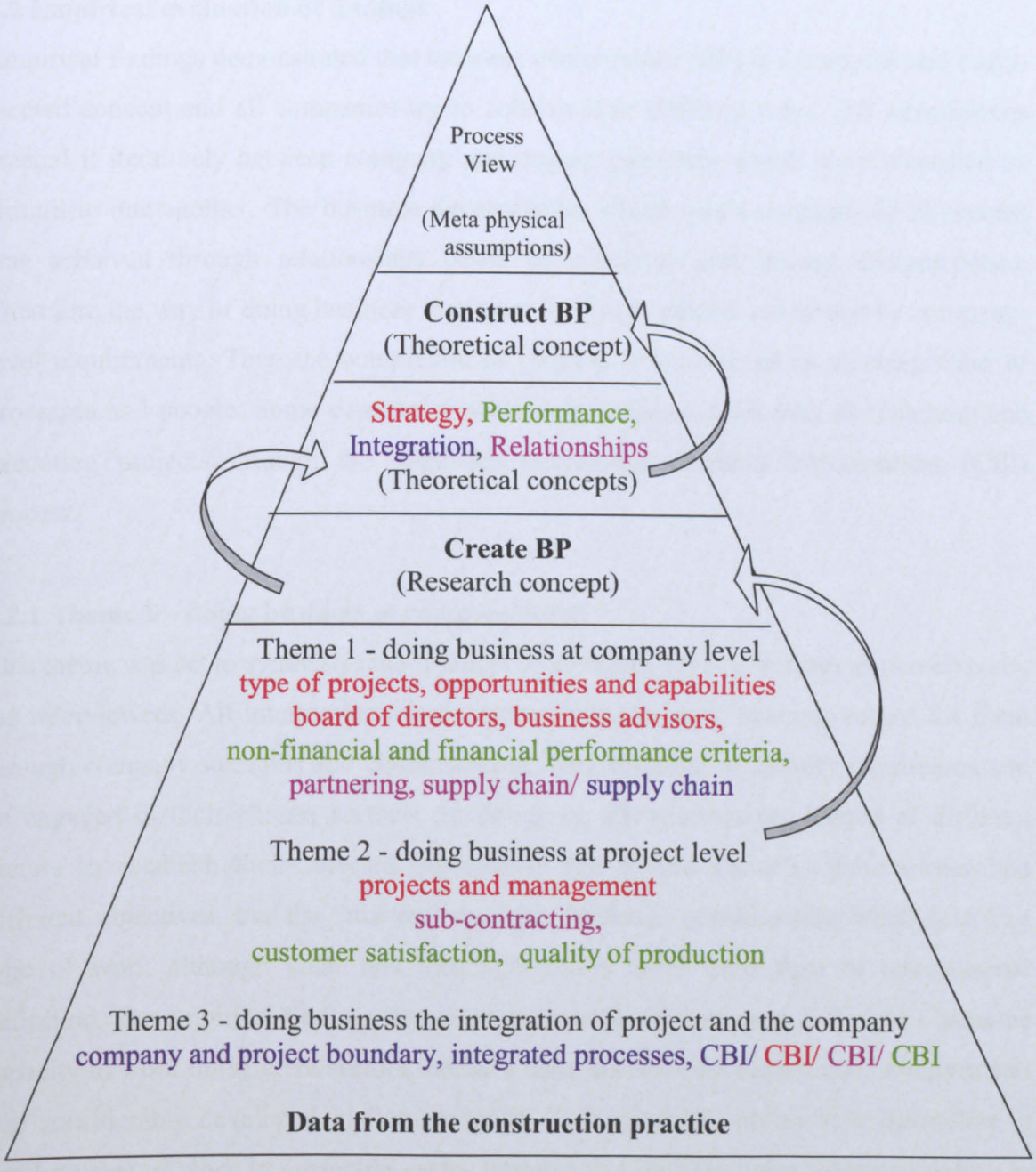


Figure 7.1 – Research diagram 2

Colour coded key –

**Strategy** - type of projects, opportunities and capabilities, board of directors, business advisors, projects and management and CBI

**Performance** - non-financial and financial performance criteria, customer satisfaction, quality of production and CBI

**Integration** - supply chain, company and project boundary, integrated processes and CBI

**Relationships** - partnering, supply chain, sub-contracting and CBI

## 7.2 Empirical evaluation of findings

Empirical findings demonstrated that business performance (BP) is a complex and multi-faceted concept and all companies try to achieve it in different ways. All interviewees created it iteratively between company and project processes which were identified as stimuli to one another. The business development, which was a company-level process was achieved through relationships based on company and project characteristics. Therefore the way of doing business at project level was guided and honed by company-level requirements. Then the completion of projects was achieved as an integration of processes and people. Some companies continually improve their way of obtaining and executing projects through the identified continuous business improvement (CBI) process.

### 7.2.1 Theme 1 – doing business at company level

This theme was set to synthesise the findings on company level processes as perceived by the interviewees. All interviewees demonstrated what is good business meant for them through company strengths and circumstances. This led them to identify requirements to be engaged in their chosen sector/s. In doing so, all interviewees looked at different factors to establish their selected business in the chosen sector/s. Interviewees had different objectives, but the "market" was the dominant consideration when selecting type of work although what this means is much more fluid than in conventional definition. The empirical findings demonstrated that three companies E, F, and J have the capacity to work in different sectors, because their history, past experience, structure and size considerably developed it. Companies B, C, D, G and H preferred to specialise in similar types of work in a specific sector because they believed that repetitive nature in work can lead to high efficiency, knowledge and consequently derive high profits. The case of company A was identified as unique due to a location-specific factor.

All interviewees were continually seeking to balance the opportunities with capabilities to remain in their chosen sector/s of work. Factors governing the opportunities such as market behaviour and changes, government priorities and announcements were used by interviewees to understand, perceive and to be proactive in their selections. Then

interviewees made an effort to match those opportunities with capabilities such as management expertise, skills, resources and quality of work which enabled them to develop future business which demonstrated a theoretical strategic approach to business.

Therefore future business development begins with the current business they are engaged in, although it is a complex characteristic which takes different approaches. Reasons for different approaches to business development can be due to variations in type of work, management structure, and the size of company. Thus business development is identified as a mix of long-term and short-term processes. The majority of interviewees considered factors which are creating profits in the long-term. As an exception, interviewees E1 and J2 considered profit as their main business driver but strategically supported it with a relationships factor when developing business. However, all these financial and non-financial criteria were handled by interviewees in relation to the theoretical concept - performance (figure 7.1).

All interviewees demonstrated that formal or informal strategy was developed as a target where these interviewees or managing directors or board of directors set their sights on taking the company forward in the future (in the short term in companies A and B and long term for all others). Interviewees demonstrated that a long-term business strategy can be achieved using a flexible approach when selecting the type of work, and then formally using a business plan (companies E, G and H), annual turnover (company C) or risk reduction (company F) and informally using collaborative processes (companies C, D and J) or project targets (companies A and B). Therefore, there is a possibility of changes to strategy evolving at any level of a company. However, all interviewees were conscious of maintaining a constant annual turnover. Thus, in all cases, business/project strategy is identified as liable to change due to prevailing requirements which made it flexible. This flexibility in business/project strategy shaped BP proactively. Interviewees were in agreement that the ultimate aim of business strategy is to satisfy the clients'/customers' requirements and enter into repeat business with them. This learning from projects and clients supported the assumption made in Chapter 3, section 3.4.1, that

strategy is formed at the company level and transferred to the project level, but the participation of all levels is required to develop BP for a company.

All interviewees except A1 and A2 depend on expertise of business, marketing or commercial specialization within or outside their companies to build their business strategy. Interviewees J2 and C1 used the relationship approach in marketing as a useful feature in formation and implementation of their business strategy and it is in contrast to Chapter 3, section 3.4.2. The above developed strategy is operationalised through different types of meetings taking place in a company, namely project, management and board of directors meetings. Except for companies A, B, and C, all other companies have two levels of board meetings where they discuss business development and business improvement separately or together. The usefulness of these entities in creating BP was discussed in Chapters 4 and 6 respectively. However, findings on business development and/or business improvement in all companies demonstrated that this approach to business is neither formal nor informal. Thus researcher describes the business approach in companies A, B and C as "non-formal". A non-formal approach to business can be defined as not recorded or analysed in detail but a broad direction of purpose that is shared across the company. These identifications further supported the theoretical approach to strategy in those companies (figure 7.1).

Empirically all interviewees except A1, A2 and B1 demonstrated the alignment of project strategy to business strategy with an aim to develop further business using different mechanisms based on selection of projects, matching opportunities with capabilities, and performance criteria and relationships at company and project levels. All of this reflected the theoretical concepts – relationships, performance and integration to construct BP. Despite the lack of a strategic business approach, interviewees in companies A and B demonstrated the use of theoretical concepts - relationship and performance within their project strategies to gain repetitive business. Thus all companies try to generate economic benefits in a more subtle way than is visible from companies' outer appearance. Three out of the nine companies operate with a non-formal strategic approach; whereas the other six companies work with well-informed strategic business approach. This refuted

the arguments by critics in Chapter 3 section 3.5.1 that construction companies do not work with a strategic approach to business; it is just constituted differently to the textbook business methods. Furthermore, findings established that irrespective of the size of the company implementation of a non-formal or formal strategy appeared to be a process which employed the "direct managerial contact" approach in management. All factors discussed above (figure 7.1) lead to identification of the use of strategy as a theoretical concept giving a different meaning to these companies (see section 7.4.1).

All interviewees demonstrated a range of company level relationships with clients and supply chain members from simple individual relationships to more complex partnering arrangements. All such relationships a company made with other parties were either long-term or short-term business concepts. Interviewees B1, D1, G1, H1, H2, J1 and J2 preferred to enter into long-term relationships with a view to generating continuous and repeat business and thus bigger market share by adding value to all parties and the product. Interviewee H2 demonstrated creation of BP by eliminating non-value added items through their collaborative work in partnering with clients and empowering supply chain members.

Interviewees E1 and F1 did not favour partnering in the construction industry and their operations were identified as slightly different to that of companies A, B and G which are individual companies. Although companies E and F handle their operations autonomously like companies A, B and G, they belong to a group of companies under one board of directors. Company E is the construction company in a large group of companies which was forced into administration due to financial borrowing of the property company within the overall group. Company F merged with a larger construction company which has diverse interests in the construction industry in September 2008. Since then company F works as one of the large company's regional building contractors. Therefore, they have the strength from their alliances to represent themselves alone and to remain within the business without entering into partnering with clients. The lack of clear definition of partnering in theory has kept them away from

seeing that they are also in a type of partnering relationship with parent company and their associates within the group.

Companies C, D, H and J are also construction companies affiliated with a group of companies. However, company C changed their approach to business from main contractor to sub-contractor but without any success. Other companies have the capacity and support from parent/sister companies to operate. But company D was forced into administration due to issues related to financial borrowing of the property company within the overall group. The present situation of company A can be considered as an example of the lack of an overall business perspective in their approach to relationships albeit that they benefited from short-term relationships, which in turn created an uncertain future for that company. Company A was excluded from the discussion of partnering and supply chain due to their unique way of securing jobs based on the location-specific factor.

Except for interviewee F1, all were in favour of relationships through their supply chain. Supply chain relationships at projects fall into formal and informal categories. Formal supply chains' demonstrated the effective use of relationships which were used by interviewees to create BP in one entity as in companies B, C, D, E, H and J. Informal supply chain relationships were used effectively in construction production to generate future business in companies A and G.

The relationships at company level have demonstrated mixed results although they were capable of bringing in repetitive and continuous business to a construction company which facilitated its survival in the short term and its sustainability in the long term. However, the most important can be the long-term relationships with a business initiative as in company H, because it demonstrated the potential to produce a valued product through collaborative efforts of all parties concerned. Thus these practice-level relationships demonstrated the relatedness to the theoretical concepts relationship and integration (figure 7.1).

### 7.2.2 Theme 2 – doing business at project level

All interviewees used performance and relationships at project/s to further develop business for the company effectively. Therefore, it can be established that these companies take a proactive business approach with a definite business initiative. This business initiative originated iteratively at both company and project levels. The business initiative at project level can be demonstrated through the interviewees' perception of the way of doing business at project/s level.

The majority of interviewees except G1, H2 and J2 prioritised project performance due to their fondness and attachment to projects. However, the usefulness of their experience and knowledge at project level cannot be underestimated when developing business. Interviewees G1, H2 and J2 demonstrated that there are tangible outcomes from those projects which can make a significant impact on business development of a company. They are: (1) changes to thinking in project processes and including it as part of company strategy as explained by H2. (1) the use of relationships approach developed with clients when doing projects as explained by J2, and (3) collection of information about clients and using it for future business development as explained by G1. These factors connect management criteria of projects with the theoretical concept - strategy (figure 7.1).

The findings strongly suggested that there is a strong link between performance criteria at project level towards BP. This was demonstrated through the fact that some companies have either invested in sophisticated quality assurance (QA) systems, as is the case with companies E, F and H, or customer satisfaction systems, as is the case with companies D, G and J. These six companies operated with a particular long-term business strategy. The findings further demonstrated that the other two companies, A and B, operating with a project strategy also depend on project performance (company A on quality of work and company B on customer satisfaction) for their future business. Therefore, all interviewees demonstrated that they develop relationships with their existing clients/customers based on project performance criteria which in turn are capable of enhancing future business opportunities with the existing clients/customers. This strongly

suggested the connectivity between empirical project performance with the theoretical concept – performance (figure 7.1). Investigation into project performance is common in CM research. However, neither the connection between empirical project performance to the BP nor has the theoretical concept - performance been evaluated previously. Refer section 7.4.2 for wider definition of performance.

All interviewees except B1 demonstrated that the importance of soft relationships with the supply side originated at project level due to frequent sub-contracting of construction production. Soft relationships can be explained by business promotion and training given to sub-contractors by companies investigated. The reasons for frequent sub-contracting were identified as (1) the nature of specialist work and skills (2) a means of risk reduction (3) regulated nature of affiliated fields in construction such as electrical and mechanical work (4) an imbalance between work load and available labour force and (5) the type of contract agreement with the client which nominate sub-contractors. This identification is in line with the standard literature.

The selection of sub-contractors depends on factors such as cost, past relationships, performance capabilities, competitiveness, local availability and main contractors' management structure. The findings supported Greenwood's view that 'the typical contractor – subcontractor relationship is still traditional, cost-driven, and potentially adversarial' (Greenwood, 2001). However, the companies studied made an attempt to balance this with their soft relationships.

Findings further identified that the selection of sub-contractors differs in companies with no fixed policies. Companies B, C, D, E, G, H and J favoured maintaining long-term relationships with their sub-contractors. Of those companies D, G, H and J engaged with long-term partnering contracts with clients, which can be the reason for maintaining long-term relationships with the sub-contractors. Companies B and C, being specialist sub-contractors; use sub-contractors to convince their potential clients/main-contractors about their collective strengths in different skills. Company E managed a supply chain which included sub-contractors but not in partnering agreements with their clients. In companies

A and F, relationships with sub-contractors were limited to the short term due to the basis of selection of sub-contractors and the specialist nature of the work they offer. Both these companies work as regional contractors.

The contractual agreements between the main contractor and sub-contractors were identified as (1) labour only, (2) material supply only and (3) supply and fix. Furthermore findings refuted 'the rise of labour-only subcontracting as the preferred form of work organization by many employers in the industry' (Winch, 1998). The main reason for Winch's identification is 'construction employers' choice to maximize their flexibility in the context of declining and fragmented demand'. He explained that this preferred choice leads to implications on 'training, productivity, and quality' and further said '[l]ack of attention to these issues means that the ability of the industry to meet the client's increasingly demanding requirements for performance on the parameters of budget, programme and quality is compromised'. But this was not the case in this research: these interviewees paid attention to details even without any policy when selecting sub-contractors and performance criteria of sub-contractors because they depend on relationships approach to develop further business with the existing client/customers. This confirms the connectivity between empirical sub-contracting and the theoretical concept – relationship (figure 7.1).

### 7.2.3 Theme 3 – doing business the integration of project and the company

All interviewees except A1 and A2 demonstrated that the construction business is developed as an amalgamation of soft relationships and performance criteria between company and project/s and it can be achieved through integrating company and project/s issues. The findings exposed a set of standard integration devices such as rules and procedures, direct managerial contact, appeals to the hierarchy temporary cross functional teams and individual co-ordinators (Handy, 1985 p210). Using those devices, interviewees maintained the alignment of company and project through transfer of portfolio of information (interviewee G1), collaborative planning workshop (interviewees H1 and H2), regular monthly meetings (all interviewees except A1 and A2) and collection of project information for future reference (interviewee D1, G1, H2 and J2).

The theoretical nature of those processes strongly suggested their relatedness for the theoretical concept – integration (figure 7.1).

In examining the required degree of integration between company and project to be able to create BP in a company, the findings suggested that there cannot be one method because the companies investigated were different in terms of size, type of work and approach to management (Chapter 4) and worked intimately with their context. Furthermore, Chapter 5 exposed the availability of a wide variety of approaches for project processes through different ways of sub-contracting, controlling and monitoring client satisfaction and/or quality of work. All of these variation factors contributed towards this degree of integration between company and project/s.

However companies D, F, G, H and J strategically facilitated integration between company and projects through interaction of processes. They used the continuous business improvement (CBI) process to enhance all of the processes at company and project/s levels iteratively. This CBI process has the ability to crossover from one level to the other and more importantly maintain that clients' requirements are fully met. Therefore, it continually improves overall performance at construction production and relationships between parties involved which have a direct influence on strategy of future business development (figure 7.1). It was identified that such CBI processes were subjected to close monitoring thus undergoing refinement and are established more robustly which is in agreement with the ontological process view. Thus it connects the empirical CBI process with the theoretical concepts identified in this inquiry – strategy, performance, integration and relationships. Furthermore findings strongly supported that these interviewees preferred the "management of projects" approach in their business over the popular "project management" approach in agreement with Morris (2006).

### 7.2.4 Synthesis of themes

This research explored the concept of Business Performance (BP) using it to study the real thinking and practice of senior managers in construction companies. As represented in the diagram 7.1, BP and strategy were always considered connected. Much of the academic management literature emphasizes the concept of strategy in understanding and developing management of companies. However, as Green *et al.* (2008) argue, the concept of strategy is disputed and may not have the meaning in construction as associated with general management. The findings strongly suggested that the BP is clearly connected with the concept of strategy-in-practice. Strategy-in-practice is different from the academic construct of strategy in that it involves what practitioners actually do in companies rather than what academic observers say they do. In diagram 7.1, the academic concept of strategy is high up, that is more abstract and based on definitive explication. However, as a practitioner concept, strategy (in-practice) is lower down, based on action and experience (Boyd, 2007). This section will synthesize how this research connects strategy-in-practice and BP and what the findings revealed about strategy-in-practice.

Using the thematical evaluation in Part B, the companies investigated were categorised into 3 broad categories (Appendix 4 table 4.1). In the first category, companies A and B do not have a long-term company strategy instead they operated with a short-term project strategy; therefore they managed projects based upon those project requirements. The business development in these two companies was different because growth and development was not in their agenda, but it was stability and being embedded locally.

The second category, companies C, D and E, illustrated long-term business strategy coupled with short-term project requirements; however these companies were forced into administration during this study. These companies – parts of larger group – gave guarantees for their associated property developing companies. The current economic downturn in the UK being unfavourable for property development business; those property companies were forced out of business. This created a bad financial situation for these construction companies to operate thus forcing them also into administration.

However, company C's placement within the above category is doubtful. Although company C demonstrated formal board meetings and a management structure; it appeared to be closer to companies A and B than to D and E. This is because company C was dependent on the traditional approach to business with a targeted annual turnover without much consideration to integrate performance of projects with company requirements as opposed to other companies in this category.

The third and the most successful category, comprising companies F, G, H and J, managed their business processes and people with a long-term business strategy coupled with short-term project requirements and the Continuous Business Improvement (CBI) process. It can be argued that their success is due to the creation of a holistic approach to business, although project and company were integrated through systemic approach and a contingency theory based CBI process. This idea supports Barrett's view that 'holistic systems overview is needed but should be linked to focused contingency analyses for naturally distinguishable sub-sectors' (Barrett, 2005). However, business processes between business and project levels of these companies were so integrated thus they were not replicating large companies in miniature form.

Thus, out of the nine companies investigated, six demonstrated that BP was created as an amalgamation of set of company and project processes which are connected to theoretical concepts – strategy, performance, integration and relationships. These findings suggested that the allegations, described in section 3.5.3, that construction companies pay insufficient attention to company processes are, in important respects, not justified. Certainly, it was found that since the collaborative work of a company takes place within the varying constraints of individual projects, the attention and energies of most personnel were focussed on them. However, this was not at the cost of attending to the long-term concerns and priorities of the company as a whole.

Thus the findings strongly suggest that companies investigated were proactive in creating BP in their unique ways. Furthermore, this empirical evaluation repeatedly identified that all interviewees were concerned about strategy-in-practice, performance they require,

integration devices between company and project/s and relationships of different parties involved (refer figure 7.1) to create BP. Furthermore strategy-in-practice was identified as a fluid concept which is changing due to different requirements such as available opportunities, resources and capabilities in a company and is also unique to a company. Senior managers handled strategy-in-practice in situational context to satisfy changing requirements in a company.

The word strategy as an academic construct covers a vast area and has multiple components at different levels. Green *et al.* (2008) stated that non-homogeneity in different schools of thoughts in strategy have increased 'the disconnection between the generic literature and that relating to the strategic management of construction firms'. Furthermore, Mintzberg (1987) stated that 'strategy is not just a notion of how to deal with an enemy or a set of competitors or a market, as it is treated in so much of the literature and in its popular usage. It also draws us into some of the most fundamental issues about organisations as instruments for collection of perception and action'. This research was based on perceptions of interviewees in construction organisations on how they construct BP. Theoretically an organisation is a 'stream of problems, solutions, and people tied together by choices' (Weick, 2001 p28). In this inquiry, the research concept - the choice to converge problems, solutions, and people were considered as how interviewees construct BP (refer figure 7.1). Weick further said that over time the choice mobilize reasons and justifications and then people put them in an orderly manner (2001, p28). From these ideas what happens in practice is different from what is theoretically meant to happen. Green *et al.* (2008), considering construction companies in this light, identified that a key skills of construction strategizing is dynamic capability that is the company's ability to flexibly meet the changing environment. Dubois and Gadde (2002) presented a much more organic operation of the industry as being represented by a 'loosely couple system' where project arrangements are tightly coupled whereas the more strategic environmental relationships are loosely coupled. In such a world then strategy-in- practice is a much more fluid activity rather than a plan to be set in place in the future. The concept of BP reflects this more dynamic and loosely coupled world that was found in medium-sized construction companies practice based. Thus, Interviewees could

explain distinctively reasons and justifications how they construct BP in an orderly manner through an amalgamation of concepts - strategy-in-practice, performance they require, integration devices between company and project/s and relationships of different parties involved (refer figure 7.1). Additionally, some interviewees used CBI processes to add value to the clients, company and product to enhance BP.

The reasons for variation in interviewees' explanation on how their companies create BP is in line with Weick's view that 'explanations vary depending on their needs, their associates and their prior choices' (Weick, 2001 p28). Furthermore, the construction companies investigated were of different size, type and of different age. Therefore their strengths and capabilities were different in acquiring a project and doing a project, which satisfies the conceptual notion of 'dynamic capabilities'. Green *et al.* (2008) stated that 'the notion of dynamic capabilities relates to a firm's ability to reconfigure its resources in response to changing environments' which absolutely encapsulates the differences observed in construction companies in creating BP. Therefore to some extent, this inquiry explored the 'way in which dynamic capabilities are enacted in terms of the inherent *practices*' (Green *et al.*, 2008) using the interviewees' explanations of strategy-in-practice, performance they require, integration devices and relationships of different parties involved to construct BP.

Therefore, due to the proactive nature of companies investigated, this inquiry identified strategy-in-practice as the most related concept to construct BP and supports the suggestion that 'the ability to reconfigure its operating routines to enable responses to changing environments' as a dynamic capability in construction companies (Green *et al.*, 2008). Therefore, the researcher argues that strategy-in-practice is closer to Green's definition of dynamic capability than "strategy" as in academic literature. Furthermore the study identified that strategy-in-practice was in turn supported by other organisational behaviour (OB) concepts – performance, integration and relationships to construct BP in a construction company operating at two levels. Refer section 7.4 for the researcher's articulation of how senior managers construct BP in medium-sized construction companies using identified theoretical concepts.

### 7.3 Justification of the theoretical concepts employed

#### 7.3.1 Hermeneutics approach

It was observed that interviewees' descriptions were incomplete, messy and contradictory in some instances. On the one hand the use of a hermeneutics approach helped to make sense of the whole interview text, relating it to parts to clarify doubts. On the other hand this approach helped to understand a specific issue in detail seeking clarifications and relating it back to the whole interview text. Therefore, the hermeneutics approach facilitated a connection between people, companies and the research concept – BP.

#### 7.3.2 Systems theory

This study employed the systems theory approach (Chapter 1, section 1.7). The appropriateness of this theoretical approach in this inquiry can be further supported by the following identifications:

(1) Part B of this thesis demonstrated that construction companies work at different parts to produce the whole product. Business strategy is formed by the 'man at the top' or collectively by the board of directors. Business units analyse opportunities and capabilities and decide on the type of projects which are suitable for them. Design and estimate units do the design and pricing to satisfy clients' hard and soft requirements with collaboration from the senior managers engaged in the production and the clients. Finance units are responsible for the allocation and monitoring of funds. Then the production is done with an eye to adding value to the company, client and the product. Within the production unit there are sub-systems such as finance, human, plant and machinery and material.

(2) Interviewees perceived processes and people in a company and project/s as two integrated systems aiming to satisfy the company's business targets. This integration can be further explained through the CBI process although its principles are laid in contingency theory. The CBI process considered a systemic approach where the process and people are used for creating improvements in company and/or project which directly influences the other.

(3) The data acquired for this inquiry on "perceptions of BP" represented a mix of interviewees' own experience and beliefs as well as their experience and understanding

derived from working in an organisation. The majority of interviewees began their explanations by discussing their past and what they are doing now to achieve what they want to in long-term personally as well as in organisation terms. Therefore, those perceptions represented a systems theory approach.

### 7.3.3 The EFQM framework

The role of the 5 enablers of EFQM framework in stage-one interviews was to provide a meaningful relationship to methodology at both conceptual and practice levels. Furthermore, this framework with the methodology adopted was expected to develop an interviewee's point of view about a particular event in interviewee's organisational context by limiting the researcher's interpretation in ad-hoc manner which in turn adds value to the research. The reasons to use the 5 enablers of the EFQM framework to access data were explained in Chapter 2, section 2.4.1.2.

During stage-one interviews it was identified that the role of the 5 enablers in the EFQM framework has limited stage-one interview data to those 5 enablers thus neglecting the subjective/objective and formal/informal aspects of organisational structure and its processes of companies investigated. This research did not use the 4 results of the EFQM framework which covers what an organisation achieves as evaluation criteria of those 5 enablers as explained in Appendix 2. Therefore those 5 enablers have a value if tested its use in a pre-defined framework but not in general evaluation as in this inquiry. Although the objectivity of this inquiry was slightly affected by the use of the 5 enablers of the EFQM framework, it was reinstated by collecting and analysing company reports/ records such as meeting minutes. Subsequently this research did not use the 5 enablers of the EFQM framework for stage-two interviews due to the identification of limits of using those 5 enablers in this inquiry (see Chapter 2, section 2.4.1.4, 2$^{nd}$ paragraph).

## 7.4 Conceptual evaluation of findings

The empirical evaluation identified that strategy-in-practice as what companies intend to do in the future whilst maintaining dynamic capability was the most-used concept related to the research concept of BP. However, the same section revealed that strategy-in-

practice is not the only concept to create BP in a company. Langford and Male (1991, p80) stated 'one event is an interaction of many others'. Therefore, creation of BP in a company interact strategy with other OB concepts such as – performance, integration and relationships. Creating BP is crucial to the companies therefore, they 'require a strategic management process that is capable of concentrating on developing methods and procedures that promote the integration of both corporate and operational planning' (Langford and Male, 1991 p148). The strategic management process the companies adopted in creating BP interacts with the concepts – strategy-in-practice; supported by, performance, integration and relationships.

Therefore this section connects data from practice with the identified theoretical concepts to articulate different issues, perceived as being important by senior managers in medium-sized construction companies, interact to construct BP.

### 7.4.1 Strategy

The concept of strategy was repeatedly used by interviewees when describing the type of work, matching opportunities with capabilities and business development process of a company (see Chapter 4 sections 4.2 and 4.3). As discussed previously, it was determined that interviewees had a different meaning for strategy than much academic literature that related to their situated practice. Interviewees differentiated companies based on type of work and how they develop business through different structure, size, location, history and experience/ knowledge available in those companies. This supports the identification by Ramsay (1989 p24): '[i]t is important therefore, for the contractor to identify clearly what business he is in, the position he occupies in that business, and who are his present and potential competitors – these are all elements of business strategy'. However the strategy described by interviewees is not a rigid plan to achieve business benefits as describe in academic literature.

All interviewees except A1, A2 and B1 followed an objective-driven business strategy to develop BP for those companies. Furthermore, the formation and implementation of that business strategy were identified as flexible and depend on opportunities and company

capabilities. As an example, in company E strategy was formed by the chief executive. That strategy was implemented through selecting projects accordingly. Those projects were monitored and compared regularly by the board of directors. Thus, the preference to origination of strategy by the *'man at the top'*, identification of suitable projects as a collective decision by board of directors and attending to evaluation and monitoring of project related processes as useful requirement to develop further business indicated that strategy-in-practice is fluid and supports strategy as a plan or position, perspective, and pattern (Mintzberg, 1987) respectively. However, less visible from interviewees' perceptions are strategy as a ploy (Mintzberg, 1987) and this idea is supported by Green *et al.* (2008). Therefore, this suggests that interviewees considered strategy-in-practice as an on-going dynamic which satisfies different situational criteria in a company to construct BP.

Therefore, the researcher argues that even though strategy, as in academic theory, has some influence in creating BP, the construction companies investigated were proactive; they do not employ rigid strategic management principles to construct BP. All interviewees used the word "strategy" in the popular sense which needs to be appropriately corrected at this point to "dynamic capability". The reasons being, empirical evaluation supports that: (1) Interviewees construct BP differently because of their differences in capabilities in management, available opportunities and resources and past experience. (2) Interviewees have the ability to reconfigure their people and operation processes to match changing requirements such as construction regulations, economic, project and environment factors. Therefore, (3) interviewees construct BP as a situated practice embedded in a local context. These points espoused the characteristics of dynamic capability described by Green *et al.* (2008) - empirical elusiveness, construed as situational practices and embedded within a social and physical context.

**Thus, the word strategy used in this inquiry can be broadly defined as a set of actions used by interviewees to gain sustainability in local embeddedness and/or economical benefits which encapsulates finance and operational processes in a company.**

### 7.4.2 Performance

Interviewees placed emphasis on project deliverable criteria: of those, client/customer satisfaction and quality played a useful role when interviewees described the business development at company level as demonstrated in Chapter 5, section 5.4. Additionally, they considered financial and non-financial criteria to develop business (figure 7.1). All of the above criteria descend from the theoretical concept – performance.

Many CM researchers have analysed project performance in a construction company assuming that company performance is made of individual project performances, which is not the case. However, Barrett (2005) and Morris (2005) considered a holistic approach to managing projects to deliver business benefits to a company. Their approaches included performance criteria at project level but not just to achieve project delivery; they expected to generate business benefits through project delivery. This notion was supported by all interviewees without exception. Thus interviewees perceived and created BP in a very subtle way so that many CM researchers have not identified the strong connections between project and the company. **Therefore, this study defines performance as a value maximising process which connects all business objectives with business processes iteratively in a company and project/s to create BP.**

Interviewees' perception of performance is broad and it was not a standalone concept. Some empirical examples are: a two-fold business strategy which includes construction requirement of existing clients/ customers and new markets (interviewee J2), maintaining a data base for client/customer data (interviewees D1 and G1), employment of customer-facing people at project level (interviewees D1 and G1) and project strategy based on repetitive work from existing clients (interviewee B1). All these signified that these interviewees have taken a strategic approach to performance at projects. This approach has been supported by (Venkatraman and Ramanujam, 1986), that the concept of BP has been embedded in organisational effectiveness (figure 3.2). In line with that, interviewees employed relationships and integration of processes and people to influence BP in their companies. These relationships and integration contributed towards organisational effectiveness and describe in the following sections.

### 7.4.3 Integration

The concept of integration was identified as an essential requirement for construction companies in Chapter 3, section 3.5.1. Empirical findings in Chapter 6 exposed integration as a useful feature in developing BP in a construction company. The findings further established that a construction company and its project/s are tightly integrated through processes and people in a construction business and it is a vital requirement to create BP in a company. This is in great contrast to the suggestion that construction companies manage and control projects, thus neglecting the management process of the company (Phua, 2006; Bassioni *et al.,* 2005; Dubois & Gadde, 2002; Handa & Adas, 1996; Winch, 1989). Interviewees demonstrated adoption of different integrative devices to align business strategy at the start, throughout construction production and completion of projects. Interviewees used integrative devices such as rules and procedures, direct managerial contact, appeals to the hierarchy, temporary cross-functional teams and individual co-ordinators (Handy, 1985 p210).

Those integration devices contributed to satisfying the theoretical requirement of integration between the company and project/s which in turn compatible with the ontological process view in construction. This is a strong feature which facilitated the subtle creation of BP in a company, which can be further identified through the CBI process (section 7.4.5).

Interviewees F1, A1 and B1 constrained their style of management to the "direct managerial contact" approach in management rather than to expanding those companies. Therefore, it is argued that this reason provided the basis for medium-sized construction companies to affiliate with a large group of companies where they are able to maintain the same style of management. Company F's merger can be considered as an attempt to maintain the same degree of integration between the company and its project/s. Therefore, without adding another layer of management to company F, they merged with a larger contractor as their regional builder. In this way company F can maintain their strategy in business being close to project/s and they can also benefit from added advantages of a larger contractor such as financial stability. However, it is expected that

some changes will occur to heir management structure with influence from the parent company which is beyond this study.

Findings further demonstrated, of all the integrative devices identified, that the "direct managerial contact" approach has been used significantly by all interviewees in creating BP irrespective of the size of the company or project/s. The variation in use can be attributed to size, turnover, type of work, and management structure of those companies. However, this study recognised that companies A, G and H give greater preference to "direct managerial contact" than other companies although their management structures are different.

Figure 7.2 illustrates the variation of those companies investigated with respect to "direct managerial contact" approach to management and the turnover of companies. It demonstrated that company A which derives a low turnover and companies G and H which derive high turnover; but those companies displayed high "direct managerial contact" approach to management compared to the rest of the companies.

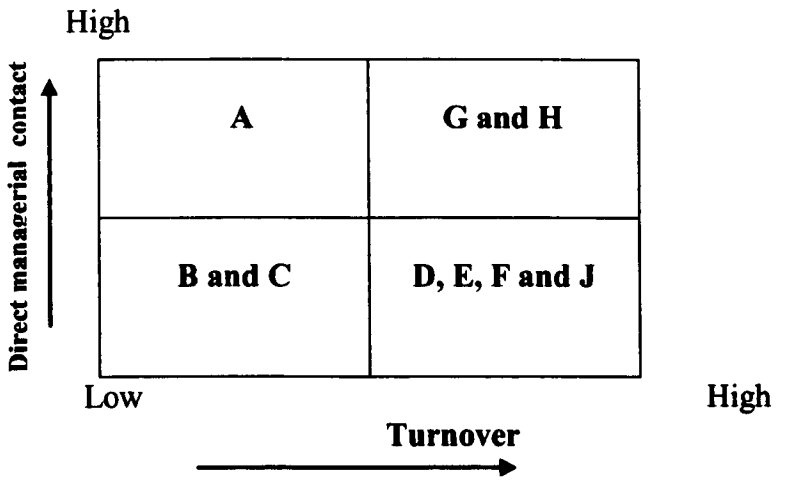


Figure 7.2- Variation in companies between turnover and direct managerial contact approach

Company A selected projects which match their prevailing requirements with informal discussions between two directors and the contracts manager, whereas companies G and H have long-term business strategies thus they select projects accordingly. Companies G

and H are heavily involved in partnering, thus negotiate jobs with their partnering clients. So in this regard these companies develop their business on the basis of their hands-on practical knowledge with a "direct managerial contact" approach to construction processes.

During the production process, company A adopted a flexible process to resolve prevailing problems using a "direct managerial contact" approach, whereas in companies G and H, directors and managers were continually looking to improve their processes and people through CBI process. Company G maintained the same director as head for pre-contract and contract phases. There is evidence that company H adopted the same process. Therefore, irrespective of the derived turnover, size of the project and other capabilities in those companies, they utilised a "direct managerial contact" approach to management as the integrative device.

Companies B and C both derived lower turnover compared to all of the others studied except company A. Both these companies have formal operating structures and work as sub-contractors. The business development process is similar as both companies try to depend on repetitive business from known clients. However, they illustrated a mismatch in their approach to obtaining jobs and executing jobs. During the process of obtaining jobs they depend on relationships which are more towards a "direct managerial contact" approach, and during construction production they are strategically oriented and demonstrate a more control managerial approach compared to companies A, G and H. This can be attributed to the difference between main contractor and sub-contractors as identified in Chapter 5, section 5.3.

Companies D, E, F and J derived higher turnover compared to companies A, B and C. Business development in these companies is quite different because of the type of work and their operational structures. These are all construction companies in a group of companies. These companies operate with well-equipped co-ordinating departments of QA (companies E, F), customer satisfaction (companies D and J) or business development (companies E, J). Interviewees commented that they consider projects as

important and, being directors, they visits sites regularly; however those co-ordinating departments prevent a "direct managerial contact" approach in construction business. Due to this arrangement, even if the directors identify any necessary improvement to be done, it might take some time to go through the formal hierarchical structure before its implementation. This reason can be further justified using the merger of company F with a large national contractor without expanding the company. **Thus integration can be broadly defined as a management concept in a construction business.**

### 7.4.4 Relationships

The theoretical concepts strategy, performance and integration were influenced by the soft relationships identified in Chapter 4, section 4.4 (partnering and supply chain) and Chapter 5, section 5.3 (sub-contractual) which were examples for upwards and downwards vertical relationships. Although not investigated, this study exposed that companies C, D, E, G, H and J illustrated horizontal relationships with similar and dissimilar companies and regions/divisions which accounts to a simplest form of construction consortia described in Chapter 3, section 3.4.3.1. The requirement for a relationship approach was highlighted in Chapter 3, section 3.4.3. Therefore, management of those different relationships is considered as a useful aspect to construct BP. Thus, theoretically relationships encapsulate a wider arena than strategy, performance and integration in a medium-sized construction company. Therefore, it can be argued that the relationship concept has more synergy than the other concepts in creating BP in a medium-sized construction company.

All interviewees, without exception, valued relationships; however type and management of such relationships were not valued identically. This is in line with '[m]anaging relationships is a vast area in its own right. However, organisations may wish to focus upon particular relationships in order to build strength in particular areas of service provision' (Pryke and Smyth, 2006c p311). Interviewees in successful companies considered the potential of creating long-term relationships with their existing clients in addition to new market opportunities when addressing the business development. Therefore, they depend on CBI process which tends to improve the way they obtain jobs

and the way they execute projects by adhering to a value-driven approach. This is in line with Ramsay's view (1989, p28) that '[t]he successful contractor in developing a business strategy will not readily accept the status quo. He will recognize that he is in a position to bring about the change in the construction process'. These successful companies tend to operate with different strategies. This vast difference in strategy has been discussed by previous researchers. No two companies who offer the same construction services can survive as one will be displaced from the market. The majority of this identification is theoretically corresponding to 'management-as-cooperation and learning' described by Bertelsen and Koskela (2004) as a new management principle in understanding of CM. **Thus, conceptually relationships can be broadly defined as a way of management used by these interviewees to develop business and to execute that business.**

### 7.4.5 Continuous Business Improvement processes connecting strategy, performance, integration and relationships

In addition to the above integrative devices, it was identified that companies D, F, G, H and J used CBI processes to run the business as a single entity in a continuous cycle of planning, executing, improving and planning the next project/s. Thus, they integrated all data for creating BP through adjusting and refining all processes and people in the company continually to add value for the company, client and the product but in different ways. This supports the finding by Winch (2003) that 'choice of process in any business is a function of how that business adds value for clients or customers'.

These CBI processes seek to improve the way of obtaining jobs and executing jobs through facilitating improvements for processes and people continually. As a consequence of the use of CBI processes, some companies for example company H adopted collaborative working with clients and partners. To control and monitor such a process require a high-calibre individual co-ordinator as an integrative device (Handy, 1985 p210). He described three prerequisites for such an individual co-ordinator to succeed. Those are (1) position power and appropriate status, (2) expert power and (3) inter-personal skills necessary to solve conflicts. Company H has satisfied those pre-

requisites having appointed a business improvement director (interviewee H2) thus its success can be attributed to the individual co-ordinator's performance.

Companies D, F and G used CBI processes in creating BP, but it was managed as a cross functional team effort initiated at board of director level. Company J has a person employed at manager level to direct initiatives in the CBI process. At the manager level position he may lack all information required, also the position power and appropriate status might be hindering factors for him in the execution of his duties. Therefore these explain the reasons why company H is more successful than the others. Thus CBI processes can be broadly defined as an integrating process created by these interviewees to amalgamate strategy, performance, and relationship concepts to construct BP.

### 7.5 Chapter summary

This chapter provided the connectivity between the research design, research concept, data from the construction practice and the related theoretical concepts exposed from the findings of this research. Although it can be established that theoretically companies investigated construct Business Performance using the concepts strategy-in-practice, performance, relationships and integration which appeared to be closely linked to one another through different processes, example Continuous Business Improvement processes. These concepts were useful for describing what happens but they may have different uses in academic literature than in practice. As an example, during the interviews the managers talked about strategy rather than BP but this was a different use of strategy than in the academic literature relating to a more immediate adaptation to market conditions hence demonstrating dynamic capability. Thus, interviewees did not demonstrate fixed definitions of those theoretical concepts. They have many in relation to their contexts and particular operations. This made them seem unorganised, but in reality, they were self-organising in relation to their environment.

The role of directors/senior managers in constructing BP in these companies was comprehensive. Their expertise of construction and non-construction specialisms and involvement in holistic approach to overall business through systemic integration of

business processes together with contingency theory based improvements to those processes were useful to construct BP. Thus it can be assumed that in these companies people are neither formal nor informal. Consequently it established cross functional teams in these companies as a non-formality which can be supported by the view that

> *'...certainly isn't a great divide down the middle of the business, then doing business improvement and then doing projects. I mean I'd like to think it is the case with all businesses like ours that people sees themselves involved in both. I think there is a difference of course between very big business which have a dedicated business improvement department or team and SME's, we're a medium business where we do get much more integration of course right down to the site in a business one person is doing everything'* (Interviewee D1, Company D, 2007).

Therefore, as a descriptor, BP better describes what interviewees are trying to achieve and relates to academic concepts of dynamic capability which is Green *et al.'s* (2008) definition of strategy in construction.

# Chapter 8 – Research conclusion

## 8.1 Introduction

This study enquired into how business performance (BP) is perceived and so created in construction companies using senior managers' perceptions. The research concepts are encapsulated and connected in figure 8.1 (reproduction of figure 7.1 for ease of reference). It was established that BP can be regarded as a *two-way phenomenon: looking* outwards to opportunities and relationships and looking inwards to capabilities, processes and relationships. This inquiry has confirmed some previously published findings and also revealed other factors through the following three themes:

- Theme 1 – Doing business at the company level
- Theme 2 – Doing business at the project level
- Theme 3 – Doing business – the integration of company and project

The BP of a medium-sized construction company was found to be a complex concept. Findings suggested that although BP is a commonly-used term it does not have a clear description within the CM research discipline. Therefore, in this research BP was defined in relation to the companies investigated. A generalisable conclusion for BP could not be reached due to the fact that companies investigated had many differences in the perceptions which related to their size, type of work, structure and management approach. However, BP can be perceived as an amalgamation of knowledge, experience, decisions and relationships developed at company level which were supported by relationships, quality of work and/or customer satisfaction at project level. These enablers were further subjected to a management drive to create improvement for the company which was most often articulated as a continuous business improvement (CBI) processes. The only generalised conclusion which can be made is that BP is dependent on all of those factors mentioned above but impacting differently in relation to the particular context in time. Thus, BP is not a constant and furthermore has the tendency to change due to the slightest change in the contextual conditions within the companies.

This research adopted an interpretivist methodology. In practice this required many pragmatic adaptations which consequently reduced the methodological legitimacy in pure interpretivist research terms. However the richness of insights into real world data was enhanced by this approach by ensuring that the limitations were recognised.

Stage 1 data collection and analysis was successful and those helped to frame stage-two in-depth interview questions to seek more clarification on the creation of BP. However, stage-two data collection was not successful due to the economic changes in the UK from mid 2008. The susceptibility of this inquiry to fluctuation of the economy has made stage-two data poorer than stage-one data with regard to its value. This has a negative impact on the significance of research as the industry is currently more governed by immediate economic factors. However, it is believed that the findings will have value in the long term. The following sections summarises the research findings and discusses the implications of this inquiry for existing literature, theory and future research.

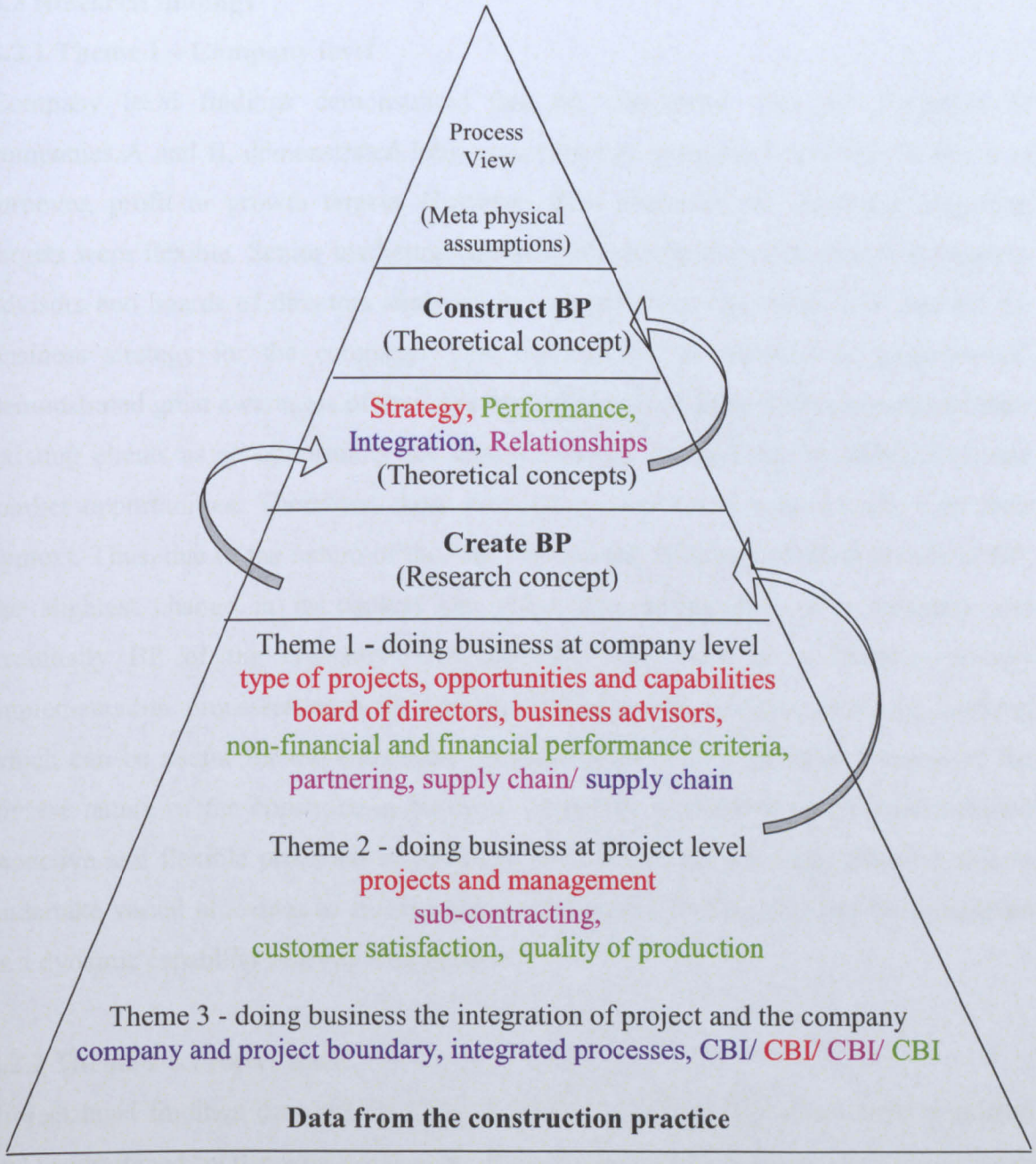


Figure 8.1 – Research diagram 2 (reproduced)

Colour coded key –

**Strategy** - type of projects, opportunities and capabilities, board of directors, business advisors, projects and management and CBI

**Performance** - non-financial and financial performance criteria, customer satisfaction, quality of production and CBI

**Integration** - supply chain, company and project boundary, integrated processes and CBI

**Relationships** - partnering, supply chain, sub-contracting and CBI

## 8.2 Research findings

### 8.2.1 Theme 1 – Company level

Company level findings demonstrated that all companies with the exception of companies A and B, demonstrated long-term business strategies in practice in terms of turnover, profit or growth targets. However, their processes for achieving long-term targets were flexible. Senior marketing/commercial managers, external/internal business advisors and boards of directors analysed the opportunities and capabilities and set the business strategy for the company. This was not set in isolation as interviewees' demonstrated great awareness of their operational contexts. They further considered their existing clients as an opportunity for future business development in addition to new market opportunities. Therefore, these companies were continually proactive in their context. Thus, due to the nature of the industry and the influence of other factors in BP, the slightest change in its context can affect the performance of a company and eventually BP of the company. Consequently, they work on a flexible strategy implementation processes such as selecting projects and changing ways of working which can be useful for the companies' sustainability. This is possible because of the diverse nature of the construction business. Therefore companies investigated adopted proactive and flexible processes at company level which in turn made them be able to undertake varied processes to address clients'/customers' needs. This can be considered as a dynamic capability of those companies.

### 8.2.2 Theme 2 – Project level

Project level findings demonstrated that construction project operations were regulated and programmed by the senior managers. Construction production was done by different teams but with senior managers attending regularly and monitoring those project processes and being involved in formally and non-formally in making strategic decisions on the execution of those projects. Therefore these projects are not independent from the companies but are managed to satisfy the companies' business strategies. This is the case for all companies investigated.

Although companies A and B worked without a conventional company-wide long-term business strategy, they effectively created this as they only worked on a set of preferred projects identified through type, value and location. Therefore, all companies managed their selected projects to satisfy company requirements in terms of skills and resources for sustainability, which is a dynamic capability.

### 8.2.3 Theme 3 – Integration of company and project

Findings on the integration of company and project demonstrated that companies divided work and skills logically between their employees; some of whom work on projects and others work in a central office. This does not mean that company and project operate independent of one another. Findings demonstrated strong links between company and its project/s through: directors' participation in projects, "direct managerial contact" approach to management, discussion of projects at board meetings, not changing key people from pre-contract to contract stage, use of customer satisfaction and quality assurance systems and availability of external/internal business advisors, business improvement directors/managers and customer-facing managers. Linking these allowed senior managers' to perceive the reality of project/s and to make the required decisions to select and manage projects in line with the company's business strategy.

All companies investigated except company A had a strong drive to improve both company and project levels. This became formulated as a CBI process. It was found that interviewees integrated the whole construction process through the CBI process by improving how they obtain jobs and how they execute projects by considering company and project/s requirements. This is a useful process which acts as a medium-term strategy aligning project/s with company strategy-in-practice by enhancing the integration across the company and by doing so; it influences performance and relationships in a company as a whole. This affectively means there is no boundary between a construction company and its project/s with its cross-over in processes and people.

### 8.3 Defining business performance

This research has identified that different skills and knowledge is required at different stages such as business development, doing the business and during the CBI process to create BP for the company. Therefore, BP was perceived as an amalgamation of different processes and people at company and project levels.

Thus in relation to the research aim: what senior managers were doing in creating BP was working with a holistic view considering all processes with respect to looking out and looking in to deliver a valued product through integration and CBI process. This is in line with Barrett (2005) that '[i]n short an holistic systems overview is needed, but should be linked to focused contingency analysis for naturally distinguishable sub-sectors' Therefore, this research established that BP exists in multiple dimensions to serve multiple purposes in a construction company. It has further established that BP can be augmented by integrating processes and people to manage projects, aiming to deliver long-term sustainability to the company. The perceptions of interviewees on BP in a medium-sized construction company demonstrated that:

(1) There was no one-way to achieve BP – It was difficult to specify how to create BP for a company due to the diverse nature of the industry, variations in companies and complexities and uncertainties in projects. Thus they distributed their skills and work logically between company and its project/s.

(2) Companies spent a substantial amount of work, time and resources on matching opportunities and capabilities and doing business development in obtaining suitable projects. This required specific knowledge on the market, decision making and ability to understand people – employees, partners and supply chain members.

(3) The planning and execution of those selected projects were done on "direct managerial contact" approach with directors, senior managers, project managers, supply chain participants and the clients; with the aim to develop repeat business from the same client.

(4) The whole process of "doing project/s" requires all project/s processes to be aligned with the company's business strategy which is a variable. This production process takes place within constraints of construction regulations, complexities, uncertainties, contractual agreement, business ethics and social mores. Furthermore these projects are not independent but were operated in a manner directed towards future business development.

(5) In all companies studied, the integration of project/s with company is handled by senior mangers using different integrative devices as discussed in Chapter 6, section 6.3. Additionally, the more successful companies F, G, H and J had employed a proactive company-wide CBI process to unify the company's business. This meant that the company processes has to be flexible and the project processes has to be more fixed.

In summary and relating to identified theoretical concepts in figure 8.1 in blue: BP is created (constructed) as an amalgamation of experience, knowledge (strategy and performance) and relationships (relationships) developed at company level which is supported by relationships (relationships), quality of work and/or customer satisfaction (performance) at project level. These enablers (integration, relationship, performance and strategy) are subjected to CBI processes constantly to create (construct) BP for the company. Therefore this research establishes that BP exists in multiple dimensions to serve multiple purposes in a construction company. It was observed that BP can be augmented by integrating processes and people through CBI to manage projects (not project management) with the aim of delivering long-term sustainability to the company. This is a dynamic capability in a construction company.

### 8.4 Research implications

This study is capable of guiding future research on the actual nature of BP in the construction industry. It emphasised that it is possible to achieve construction production with fixed processes, but the business processes involved before and after need to be flexible. The literature usually refers to the processes taking place before the commencement stage of a project as company level processes. However, this research has

challenged this idea by establishing the iterative nature in BP. It exposed the fact that relationships between the company and clients during live projects are considered as a strategic means of business development in a company. These specific project and flexible company processes need to strike a fine balance to produce a valued construction product. This is a fundamental requirement for a medium-sized construction company to operate in its chosen sector/s. This differs from the manufacturing industry which produces the same product, with rigid control as interviewee F1 described –

> *'...although I subscribe to the idea of identifying a set of objectives, monitor and then feed it back into the system, I subscribe to that, this is more going to be little bit further than that and its difficult to... I think to break it down as easily as this. We are not in a business where say we are making sweets'* (Interviewee F1, Company F, 2007).

Therefore, in construction it is the diverse nature that takes precedence and one needs to consider that theoretically the construction industry as a place where hard and soft systems integrate with one another to produce structures of potentially great value and longevity. Thus, for its unique operations at company level, a regimented process is not required. These companies work with many projects at a given time which involves people of different specialisms and processes. So there should be some flexibility built into the company's approach to change its action when there is a demand in one project over another in terms of processes and people.

Senior managers analyse such situations in different ways by setting long-term strategies. It is not unwarranted to have a strategy; it is a primary requirement but these are of different nature (see Chapter 7, section 7.4.1). Furthermore, it was recognised that the companies which proactively used CBI processes for integration of company and project/s, achieved BP better than the rest. It was identified that in those companies (F, G, H and J) processes and the people doing those processes are continuously evaluated and improved in parallel thorough processes such as training and conducting workshops. Thus these consume large scale resources. Other companies (A and B) demonstrated that a "direct managerial contact" approach in their work processes has given them flexibility to work with different systems under different conditions. However, this integrative and proactive approach was used effectively by all companies as discussed in Chapter 7,

section 7.2 irrespective of size of company (figure 7.2). The following sections describe the implication of this study to specific areas of research.

### 8.4.1 Implications for existing literature/ theory

This research supported findings in much of the literature as examples – fragmented industry and complexity in project/s (Barrett, 2005; Bertelson and Koskela, 2004; Bertelsen, 2003, 2002); close monitoring of project/s processes (Bertelsen 2002; Groák 1994; Crichton 1966); sub-contractual relationships are primarily based on cost (Dainty *et al.,* 2001b; Greenwood, 2001).

However, the following challenges were argued:

(1) Literature indicated that medium or small contractors are merely reactive and perceiving the market as being unpredictable thus construction is a reactive industry (Flannagan, 1999; Loosemore, 1994). However, findings demonstrated that interviewees monitor and act upon their reading of the market. Therefore they are proactive and are in contrast to the above comment in the literature. This research established that interviewees perceived that they were embedded in the market meaning is a useful factor for business development as their choice of work is based upon the market.

Literature showed that the construction company does not pay sufficient attention to long-term company processes (Phua, 2006; Bassioni *et al.,* 2005; Dubois & Gadde, 2002; Handa & Adas, 1996; Winch, 1989). However, findings demonstrated that allegations levelled at construction companies (SMEs) that they do not work with a strategy are also not upheld because of the fact that all companies investigated clearly knew the type of business sector/s they would be catering for. The sample was divided as companies E, F, and J worked in diverse sectors in building construction and all the other companies worked in selected sectors. This demonstrated that they knew their objectives in terms of type of work and the market to cater for. Therefore, in business terms, their strategy is made to fulfil those objectives. They demonstrated their strategy as long-term, in all companies except A and B, and short-term, as in companies A and B. In all cases it was explicitly identified that proactive strategy formation and implementation is flexible.

(2) The CM literature has tried to establish a definitive boundary between project and company. This research failed to identify any such boundary in the case of medium-sized companies due to each construction process being integrated with business processes and to the non-formal "direct managerial contact" approach to management. On the one hand, it can be temporarily created for better functioning of the company due to the broad nature of the activities involved in a construction company such as allocating different teams and resources. On the other hand, construction processes demand the amalgamation of different specialities to build what is required by the client and/or its users.

The findings suggested that interviewees did not see any difference between the value of processes at company and at project levels. Therefore, in the literature, 'management at company level' and 'management at project level' have been applied with misleading consequences. Thus, the researcher argued that those comparisons in the literature are inappropriate and they are misguided. Construction companies attend to the long-term interest of the company but in a much more subtle and complex process than the critics have described. The findings of this thesis indeed suggest that the distinction is misleading.

(3) The current literature is full of theoretical descriptions of practice but this empirical research did not come across any theory used in its grand nature. This supported the idea of practice theory (Boyd, 2007). Theory in practice is rather diffused. Companies use different parts of grand theories to manage different parts of their business. This study identified those different parts of a business as construction business process, organisation and people. Organisation management and human resources management are influenced by one another in a construction company (Cannon and Hillebrandt, 1989a p6).

This study inquired into the perceptions of senior managers in construction business process, but two other parts of the business have influenced on those perceptions due to

their inter-relatedness. Findings demonstrated that the theory used in the management of business development process was informed by the balance between the opportunities with capabilities, which is rooted in the theory of demand and supply. All construction companies except companies A and B demonstrated their long-term business strategy-in-practice based on the above theory. Companies A and B demonstrated that their short-term project strategy-in-practice is based on the type of projects and their capabilities, which in turn are compatible with demand and supply theory.

Furthermore this study identified that the lean principles were used in companies D, F, G, H and J in the development of CBI processes but this was related to a proactive company-wide activity not as a fixed procedure. Furthermore, all company processes were to some extent in compliance with the resource-based view in allocating resources for project/s and systems theory for its management. Thus without exception, the theory used in the overall construction process (management and production) was best described by the systems theory. The flexible and specific processes and sub-processes adopted by companies and projects respectively were so organised to stimulate the following process – this is rooted in the systems theory. The appropriateness of the systems theory has been identified by other researchers and Newcombe *et al.* (1990, p8) stated that it is most suited to explain the construction company and its activities.

(4) This study has challenged the general understanding about construction companies; i.e. construction companies are heavily project-oriented thus neglecting the company requirements. It is not the case: instead, this study identified those six companies from nine (D, E, F G, H and J) considered a holistic approach in developing business and doing business. Since the way of doing business can induce more business, thereby business development is expanded to existing clients and known markets in addition to new markets. Therefore, senior managers in those companies monitor and control project performance to develop business, but not at the cost of the company.

Thus, finally, the researcher believes that this research has contributed to changing the perceptions of researchers about the nature of medium-sized construction companies. It

can be highlighted by the identification of new concepts such as relationship between project performance and business development, employment of non-construction specialists at company level and customer-facing managers at project level and CBI processes all of which leads to a change in the focus of the industry from "business-business" to "business-customer".

### 8.5 New insights

This study identified new insights for future research. All companies except company A had formal structures, formal hierarchies and formal management mechanisms such as regular meetings in place. Furthermore, findings demonstrated with exceptions a strong drive for the CBI process. However, findings strongly suggested that these companies without exception adopted flexible and proactive approaches to manage their business which includes projects.

Therefore, without exception, they all preferred and encouraged a "direct managerial contact" approach to management. They all believed in a collaborative approach to work and that relationships developed can produce value to company, client and the product. This preference for collaboration among parties provides a base for a useful research agenda – a new approach to management of projects based on the relationships.

From a methodological perspective, this set of data can be used to develop further understanding in the area of relationships in research philosophies, perspectives and different analysis methods with an aim to add value to the interpretivist research paradigm. From a theoretical perspective, this research adapted the interpretivist approach by accommodating a theoretical framework and structure to enhance the methodology used. The experience of doing this suggests that the connection of theory and methods needs further investigation.

## 8.6 Reflections regarding the research

This research was a messy exercise. Due to its messiness it was complex to conclude many aspects of the research, such as research design and production of the thesis. As an example structuring this thesis was extremely difficult because of the placement of chapters. However the researcher adopted a standard structure to produce the thesis, the research activities did not follow the same order. The order of research activities were acknowledged in Chapter 2, section 2.1.

The reality of this research changed the researcher's understanding of the world from orderly context to a messy one. Thus the researcher discovered that the real life data is more useful to understanding the reality of this research concept. Although, the real life data is not available in an orderly and neat context; they were more useful for the personal and professional development of the researcher.

## 8.7 Conclusion

This research inquired into the BP of medium-sized construction companies. It has explored the identified internal gap between the performance of the construction company as a business and the performance of its construction projects. Through an interpretivist research methodology, this study revealed the different nature of medium-sized construction companies to that reported in the standard literature.

The success of these companies involves their ability to flexibly and proactively use practical concepts to give meaning to their worlds and engage with improving practice. This occurs within the pressures of a changing business and operational context which require a continuous re-working of their processes. Thus these companies' constructs of BP are not handled well by general academic management theory that seeks stable generalisations. This research has contributed to developing a more realistic understanding of practice thus suggesting ways to enable better performance within the industry.

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