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# An Empirical Investigation of Strategic Planning in QS Practices

Roisin Murphy

*Technological University Dublin, roisin.murphy@dit.ie*

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# **AN EMPIRICAL INVESTIGATION OF STRATEGIC PLANNING IN QUANTITY SURVEYING PRACTICES**

**Dr. Róisín Murphy<sup>1</sup>**

*<sup>1</sup>Lecturer, College of Engineering and Built Environment, School of Real Estate and Construction Economics, Dublin Institute of Technology, Bolton Street, Dublin 1, Ireland.*

## **ABSTRACT**

The benefit of engaging in strategic planning has been well documented over several decades of strategic management research. Despite the significant body of existing knowledge in the field, there remains a limited collection of empirically tested research pertaining to strategic planning within professional service firms (PSFs) in construction, particularly from an Irish context. The research is an exploratory study involving in-depth, semi-structured interviews and a widespread survey of Quantity Surveying (QS) practices in Ireland. The aim of the research is to ascertain the extent of strategic planning undertaken within Irish QS practices, and to gain an insight into the characteristics of the strategic planning process therein. The findings show that the strategic planning process varies within QS practices and is correlated to practice size and ownership structure. Despite the absence of a systematic process in smaller QS practices, evidence suggests that principals are thinking and acting strategically. They confirm that a more systematic strategic planning process is beginning to emerge, particularly in light of the severity of the current economic and construction sector downturn in Ireland. This paper draws on existing literature in the field, as well as research findings to propose a strategic planning process model for PSFs within construction.

Keywords: professional service firms, strategic planning, quantity surveying.

## **INTRODUCTION**

Strategic planning is a long established function in business yet there remains limited empirical evidence to determine the process by which construction firms engage in systematic strategic planning. The limited research that has been undertaken in construction has been heavily biased in favour of large contracting firms (Hillebrandt and Cannon, 1994) and there remains a dearth of empirical evidence regarding professional service firms (PSF) operating within the industry. The extent to which strategic planning processes proposed within the general strategic planning arena are applicable to QS practices, thus remains unconfirmed. This is particularly pronounced when considered within an Irish context.

The Irish construction industry has undergone monumental change over the last decade from the peak in 2006 when construction accounted for almost 25% of GNP and 13% of total employment, to current levels of 7% and 6% respectively (DKM, 2012). Government capital expenditure, low interest rates, relaxed lending criteria and

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<sup>1</sup> Roisin.murphy@dit.ie



a deficit in housing stock were amongst the drivers that fuelled a construction boom of unprecedented proportion. The global financial crises, market uncertainty and rising national debt ultimately resulted in a bailout package from the IMF and EU worth €67.5bn and austerity measures that continue to stifle economic growth and investment in construction.

The importance of the construction industry to the Irish economy and the magnitude of the reversal of fortunes of the industry mean that now, more than ever, QS practices must engage in strategic planning to survive. This research paper addresses the perceptible gap in existing knowledge on strategic planning in QS practices in Ireland. Furthermore, it provides a framework for strategic planning in PSFs within the construction industry.

## LITERATURE REVIEW

### Strategic Planning

Strategic planning has been a prominent feature of strategic management theory over a prolonged period of time. The organisational benefits of engaging in strategic planning, (such as improved financial performance and increased market share) have been well documented (Brews & Purohit 2007); despite the fact that no single definition of strategic planning exists. Strategic planning is often associated with the alignment of objectives with organisational competencies in pursuit of competitive advantage. The dynamic nature of strategic planning and its varied application from one organisation to the next results in differing process characteristics between firms.

The strategic planning process is multifaceted and requires consideration of a number of variables including:

- the *formality* of the strategic plan as well as the formality of the process
- planning *time horizon*
- the *approach* to strategy: planned, emergent or resource based (Mintzberg, 2003)
- *organisational type*: prospector, analyser, defender, reactor (Miles & Snow, 1978)
- the *industry environment* within which the firm is operating (Grant, 2003).

Furthermore, characteristics of the process itself should be considered, including dimensions such as:

- *strategic planning comprehensiveness*: the exhaustiveness of information gathering in informing decision making (Fredrickson & Mitchell, 1984)
- the extent of *participation* in the process across levels of the organisation (Dyson & Foster, 1982)
- the *flow* of initiatives – be it top down or bottom up
- the use of *strategic planning tools*

Given the complexity of the process, the use of strategic planning process models is commonplace to provide a framework within which to consider the numerous variables. Several strategic planning models have been developed, which outline the need to determine organisational objectives and analyse the environment within which the firm is operating prior to a generic strategy being chosen (Porter, 1980). Firms



operating within a turbulent environment in particular, must ensure that the resulting strategy and strategic plan has sufficient flexibility to enable the firm to respond to the changing requirements of the industry within which they are competing (Grant, 2003). Once again, seldom have existing models been empirically tested on the construction industry, not least PSFs within it.

### **Strategic Planning in Quantity Surveying (QS) Practices**

Strategic planning research in construction is heavily weighted towards contracting organisations (Betts and Ofori, 1992; Dansoh, 2005) rather than the professions, including QS practices (Jennings and Betts, 1996). Additionally, significant emphasis is placed on project planning and management within construction rather than organisational or strategic planning (Phua, 2006). However a longitudinal study undertaken by Boon (2008) on QS practices in New Zealand (reported within this forum), has provided some insight into the management of a small number of QS practices in New Zealand, along dimensions of market orientation, knowledge base, cost structure, price competitiveness and financial resources.

Limited as construction strategic planning research is, there are opposing views regarding the prevalence of strategic planning within the industry. On the one hand Betts and Offori (1992) suggest there is a “*dominant structural shift in the emphasis of business planning from the tactical to the strategic*” (pp. 513) whereas Hillebrandt and Cannon (1994) argue that there is a lack of strategic planning in construction firms in the UK because it is not necessary to plan for large investments in fixed assets. Until now, this has not been confirmed within an Irish context.

## **RESEARCH METHODOLOGY**

The research reported forms part of a wider investigation of strategic planning within Irish QS practices, and was undertaken in two stages.

### ***Stage 1:***

Semi-structured interviews were conducted with the Managing Director/Partner within ten QS practices. A selective sample based on known information pertaining to company size was used to ensure practices of varying sizes were included in the sample.

Interview questions were developed (and pilot tested) in advance of the interviews addressing the key dimensions and characteristics of the strategic planning process identified in the literature. Table 1 presents an overview of the main topics addressed.

**Table 1 Questionnaire Content**

<i>Questionnaire section heading</i>	<i>Issues addressed within section</i>
General Company Information	Position held by respondent, ownership structure, sectors serviced, services provided, number of employees
Generic Strategy	Strategic type, approach, environmental analysis, corporate and business strategy
Strategic Planning Characteristics	Formality, written plan, participation, flow, planning time horizon, content, constraints on the strategic planning process

The semi-structured interviews allowed flexibility in the sequence of questions and depth of discussion of pertinent issues raised. The initial stage provided a considerable insight into the strategic planning processes of the practices, and also served to inform the second stage of research.

### ***Stage 2:***

A small research grant was made available by the Society of Chartered Surveyors Ireland (SCSI) to undertake a widespread investigation of strategic planning within members of the QS Division of the Society. Questions were informed by an extensive literature review and by insights gained in stage one. The questionnaire contained similar headings to those outlined in Table 1. The final sample size was 150 and a response rate of 41% was achieved. Phase one participants were involved in the second phase, and are included in the total above. This served to triangulate findings from the initial stage.

## **FINDINGS AND ANALYSIS**

### **General Company Information**

Demographic information on participating firms was confirmed as follows:

- 85% of practices are independently owned. The remainder are part of an international organisation
- 79% have been operational over 5 years; with 66% over 10 years
- 66% have five or fewer employees, with only 1 respondent having greater than 100 (these figures were 41% and 2 respectively at peak, 2007)
- 39% are ISO certified

### **Strategic Planning Characteristics**

The overwhelming majority of QS practices do not have a formal strategic planning process, nor do they have a written strategic plan, which differs from the findings of, for example, Dansoh (2005) within QS practices in Ghana. Of the third that do have a formal process and written plan, the practice is part of a larger construction

consultancy group and has a time horizon of 3 years, which concurs with Dansoh (2005) findings. The approach to strategy is planned, involves considerable analysis of the internal and external environment and participation of staff at various levels within the organisation is apparent. The strategic planning process across the majority of respondent practices is however, unstructured and undocumented, with a top down flow and limited participation, which is similar to conclusions drawn by Price et al. (2003) within the UK construction sector.

Regardless of the existence of a formal plan, internal organisation, industry and economic analysis are prevalent while a notable lack of competitor analysis is undertaken across the board. While this represents a divergence from the general strategic planning literature, it corresponds with the findings of Price et al. (2003). Limited information pertaining to competitor behaviour, and a concentration on the client (rather than competition), may go some way to explaining the divergence. The importance of client retention and repeat business cannot be over stated in the context of PSFs, as noted by Maister (2003) when he puts forward that:

*“Most professional firms say that their existing clients represent the most probable (and often the most profitable) source of new business.” (pp.97)*

Without exception, respondents stressed the importance and reliance upon repeat business which coincides with the above observation. Furthermore, emphasis is placed on the internal capabilities and competencies of the practice to ensure that the practice reputation affords the opportunity of securing repeat business, as well as referral business (through word of mouth). This forms a crucial component of the strategic decision making process within QS practices, which concurs with the findings within PSFs across other sectors (Maister, 2005).

As regards generic strategy being pursued, the overriding strategy amongst QS practices is currently stability (or survival). Significant proportions are pursuing a combination strategy of domestic stability together with international expansion. The exceptional economic and industry environment conditions must be borne in mind when considering this finding, which could usefully be revisited periodically to gain deeper insight. Many practices had already retrenched when fieldwork for the research was undertaken therefore it was noted in the minority of cases.

Patterns in the strategic planning process amongst respondents reveal that strategic planning process characteristics differ between QS practices depending on size and ownership structure. Practices that are subsidiaries of larger international construction organisations tend to have a formal, structured process for strategy development driven primarily by head office requirements. The positive relationship between practice size and strategic formality has previously been noted within the construction sector in the UK (Price et al., 2003) and Ghana (Dansoh, 2005). Indigenous practices, on the other hand, currently tend to have an informal/ad hoc approach to strategic decision making, which is driven by the principal and seldom results in a written plan.

The turbulent economic and industry environment has resulted in increasing industry, economic and internal analysis being undertaken. However, as noted by Hillebrandt and Cannon (1994) in UK construction firms, evidence within Irish QS practices indicates that principals are thinking and acting strategically, but not necessarily in a

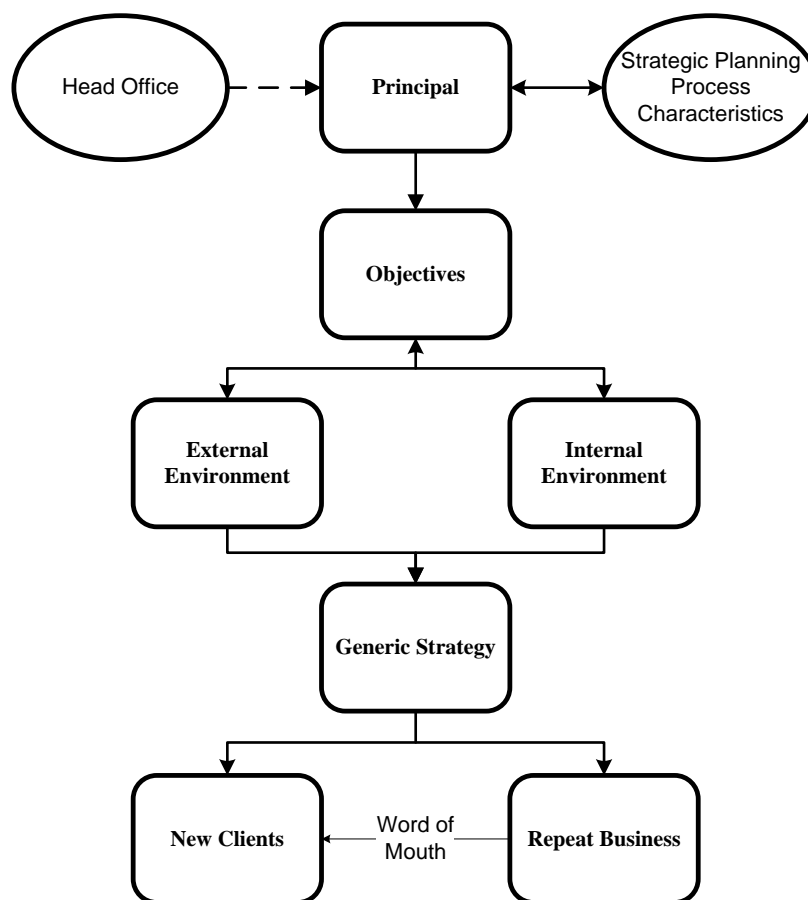
systematic way. Crucially however, nearly half of the respondents currently without a systematic strategic planning process (hence plan), noted that strategic planning processes are beginning to emerge.

The research reported confirms that strategic planning is being successfully implemented in QS practices, most notably those that form part of an international construction organisation. Within these practices there is a convergence with the strategic planning literature as regards formality, approach, participation and the use of strategic planning tools to facilitate the process but a divergence is evident in the lack of competitor analysis undertaken. However, practices that systematically engage in the process tend to be large firms, which constitute the minority of QS practices in Ireland. Given the growing recognition of the need to engage in strategic planning, particularly in light of uncertainty and intense competition within the sector, an opportunity now exists to model the process for more widespread application.

### Modelling Strategic Planning for QS Practices

The strategic planning process will not be identical in every organisation. The multifarious nature of the process thus warrants the use of a model to act as a framework of analysis of existing strategic planning practices, and guide the formulation of a new strategic plan. Resulting from the empirical investigation reported, a model of strategic planning was developed and is presented in figure 1.

**Figure 1: Strategic Planning Process Model**



Strategic planning in QS practices is primarily driven by the principal, save for subsidiary organisations, where initiatives are driven by head office. The approach and strategic type play a critical role in this regard in determining process characteristics such as process formality, plan formality, scope of participation, planning time horizon and use of strategic planning tools. Head office and process characteristics vary between groups and are important influences in shaping the process. Other components of the model are applicable across all practices, regardless of formality of the process or existence of a written plan.

Organisational objectives are developed based on the internal environment and competencies (staff, marketing, finance, IT, quality) as well as the external environment (macroeconomy, construction sector, professional body standards) prior to the determination of the generic strategy in pursuit of objectives. In quest of competitive advantage, the generic strategy signifies the mechanism by which new clients will be sought and also how new business is generated with existing clients. Within PSFs, and specifically QS practices, a major source of new client business is achieved through word of mouth, thus the reputation of the practice is crucial in pursuit of competitive advantage. The dynamic nature of construction is such that the external and internal environments must be constantly monitored thus a two way flow between organisational objectives and environmental analysis is evident.

## **CONCLUSIONS**

The results of this study demonstrate that Irish QS practice principals are thinking and acting strategically, yet often no systematic strategic planning process is evident. With the severity of the economic and construction industry crises, increased competition and demanding clients, the need for systematic strategic planning has never been more critical. Recognition of the role of strategic planning in QS practices is emerging.

The multi-faceted nature of strategic planning results in a complex process which is exacerbated in the context of a turbulent environment such as the construction sector. The process does not, however, need to be cumbersome or rigid, nor does it require the recruitment of external consultants. Strategic planning must be systematic, participative, ongoing and realistic, yet remain flexible to allow for changes within the industry and competitive environment. The use of the model presented may act as a framework within which to consider the components of the process. Participation from staff is crucial for idea generation, as well as instilling a sense of ownership of the strategy. This is particularly important for PSFs, whereby staff interaction with clients cultivates the reputation upon which repeat business depends. The education and training of a QS in project and risk management must now be transferred from the tactical (project level) to the strategic, in order to better position QS practices for recovery.

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