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Strategic Planning in Irish Quantity Surveying Practices

By Róisín Murphy BA(hons); PDES; MBS; MSc.

Strategic planning has long been regarded as an important function of business, particularly due to the positive relationship between strategic planning and organisational performance. Several decades of strategic management research have resulted in a plethora of models, guidelines and tools to aid the process, many of which have been empirically tested in a variety of industry settings. There remains a notable lack of investigation of the construction industry particularly regarding Private Quantity Surveying (PQS) practices.

Numerous reports have been published which rightly highlight the importance of construction to the economy as a whole, but comparatively few investigate how, at a micro-level, these firms are managed. What size are practices? What strategies are being pursued? What are the objectives for the future? How are they seeking to achieve them? In order to address these questions and to ascertain the type, scope and extent of strategic planning in PQS practices a widespread survey was undertaken during summer 2010. The survey was conducted at chief executive, managing director or managing partner level and yielded a response rate in excess of 40% of PQS practices registered with the QS Division of the SCS.

Profile of PQS Practices

Prior to investigating the strategic planning and management of PQS practices it is necessary to get some context in terms of the professions structure. The following provides a snapshot of the PQS profession in Ireland:

- 85% of practices are independently owned. The remainder are part of an international organisation
- 79% in business more than 5 years; with 66% in business over 10 years
- 39% are ISO certified
- 66% have five or fewer employees, with only 1 respondent having greater than 100
    - These figures were 41% and 2 respectively at peak (2007)
- Services currently being provided:
    - 97% offer traditional QS services, 76% offer project management; 55% bank monitoring; 31% construction management; 23% Sustainability-related services
    - 71% confirm that the range of services provided has not changed in last five years
- Evidence of concentration on private non-residential and social infrastructure sectors at present

Characteristics of Strategic Planning in PQS Practices

The process of strategic planning may be formal or informal, planned or emergent, and involves many or few members of the organisation in its development. Characteristics of strategic planning in PQS practices include:

- 30% of practices have a written plan in place. These practices tended (although not always) to be larger practices, many of which have links to global construction cost consultancy firms.
    - ~ Plans tend to be of 1-3 years duration
    - ~ Involve numerous participants/members of staff
    - ~ Plans are reviewed annually (if not quarterly in some instances)
    - ~ Are used to guide company operations and measure performance (only 9% of those with written/formal strategic plans used them to obtain finance).
- Regardless of the formality of the process or the existence of a written strategic plan, it is evident that principals of PQS practices are thinking and acting strategically; considering similar issues as those undertaking a formal approach to the process.
- Critical factors for the success of PQS practices include quality staff, repeat business and maintaining relationships with other industry professionals.
- Industry and economic analysis are prevalent however a notable lack of analysis of competitors is undertaken – primarily due to lack of information pertaining to competitors.
- In general, the strategic planning process tends to be unstructured and undocumented. Outcomes of the process are communicated informally amongst staff.
- Participation is limited to senior management.

PQS practices are thinking and acting strategically however not necessarily in a systematic way. It is inconceivable to think of undertaking a construction project without a plan yet entire practices are being run (and often quite successfully) without one! Crucially however, over 40% of respondents noted that strategic planning processes are beginning to emerge in their practice, with only 24% believing it to be unnecessary (of these 24%, 85% have fewer than 5 employees).

What strategies are PQS practices pursuing?

The characteristics of strategic planning influence how decisions are reached, what remains to be examined are the nature of these decisions. The turbulent environment within which PQS practices are operating has presented a number of challenges hence survival is the overriding concern. It is interesting to note however, that many strategies currently being pursued have not changed between the peak and trough of the construction cycle.

The following summary is indicative of the responses received:

- 50% of respondents are seeking stability in a rapidly changing environment

- 27% are rationalising or downsizing their operations (this figure may be low due to previous rationalising having taken place, therefore not strictly the "current" corporate strategy)
- The most common mechanisms by which strategy is being pursued (which for 75% of respondents have not changed in the last five years) include:
    - ~ to provide the best value compared to rivals (59%)
    - ~ to differentiate their service from competitors (39%)
    - ~ to compete based on providing lower overall cost than rivals (15%) - an interesting finding in light of current trends in tender price inflation
- Approximately 33% PQS practices are seeking opportunities abroad. The two most common places cited as being the UK and Middle East.

A diverse range of strategies are being implemented as a means to survive the current downturn varying from one organisation to the next. Patterns in the strategic planning process result in the existence of "strategic groups" within the profession. Three distinct groupings are evident, primarily based on size and ownership structure which influence the type, scope, formality of the process and to a lesser extent the current strategy being pursued.

Strategic Group 1

Practices forming part of a larger international group tend to have a formal, structured process for the development of strategy involving many participants throughout the organisation. The strategic planning process closely mirrors that of head office which is often the driving force behind the whole process. These practices, although currently seeking stability, expanded considerably during the construction boom and have the capacity to undertake large projects and offer a wide range of services.

Strategic Group 2

The next group are also reasonably large (greater than 20 employees) indigenous firms. Although comprehensive macroeconomic and industry analysis is undertaken by this group, the strategic planning process is often informal. Only half of the practices have a written strategic plan, and where one exists the extent of participation in the process across various levels of staff is limited. Similarly to the first group these practices expanded rapidly through the construction boom and many are now seeking stability in the domestic market while exploring opportunities abroad.

Strategic Group 3

The final group consists of small to medium sized PQS practices, ranging from sole traders up to twenty employees, and represent over fifty percent of survey respondents. The overwhelming majority of this group currently have no formal strategic plan or planning system in place, however three quarters of respondents confirm that strategic planning processes are beginning to emerge. PQS practices within this strategic group did not expand rapidly during the construction boom and consequently have faced a proportionately smaller reduction in staff numbers in the downturn. Corporate strategy has not changed significantly

over the last number of years and differentiation of service provision is reliant on the provision of a personal service to clients.

Where to from here?

The organisational benefits of strategic planning are well documented. The recognition of the need for strategic planning in the profession is now becoming increasingly apparent. The multi-dimensional nature of strategic planning results in a complex process which is exacerbated in the context of a turbulent environment, such as construction. 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. Participation from staff is a crucial component for idea generation as well as instilling a sense of ownership of the strategy. This is particularly important for professional service practices whereby staff interaction with clients foster the reputation upon which repeat business depends.

The education, training and knowledge of the QS in project and risk management must be transferred from the tactical to the strategic in order to better position PQS practices for the recovery.