Strategic Management in Irish Construction Professional Service Firms: A Comparative Study Across Professions

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STRATEGIC MANAGEMENT IN IRISH CONSTRUCTION PROFESSIONAL SERVICE FIRMS: A COMPARATIVE STUDY ACROSS PROFESSIONS.

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Abstract

The Irish construction industry has undergone substantial change in the past decade. Following a deep, lengthy recession the improving outlook of the construction sector makes the inquiry into strategy within the firms both timely and appropriate. Determining how construction organizations successfully adapt in a highly turbulent industry is critical to ensure survival in a highly cyclical industry sector. Strategizing in construction professional service firms (CPSFs) is not well documented, and there is little understanding of the strategy processes, and implications of these processes in the firms. As part of an ongoing study, the strategic management process in CPSFs is reviewed in the context of the generic strategy literature and a set of questions is posed for future research. Using evidence from literature and drawing on the strategy-as-practice view of competitive strategy, the paper presents a potential addition to the body of knowledge in SAP research in highly knowledge-driven project-oriented service firms. The key issues raised in the paper begins to fill the gap in knowledge for strategy researchers in construction about how strategy is shaped within the industry on a micro-level, the actors involved and the tools used in strategizing, particularly within highly turbulent construction markets.

Keywords: Strategic Management, Construction, Professional Service Firms, Strategy-as-practice

Word count: 2,905 (excluding references and tables)
INTRODUCTION
One of the aims of strategy research is to identify the causes, sources and determinants of profitability differences among firms (Spanos et al., 2004). Strategy research in the construction industry is gaining prominence as the severity of economic fluctuations have had a considerable impact on firms operating within the sector. The construction sector has become increasingly risky and highly competitive, and the fragmented nature of the industry compounds its complexity (Proverbs & Faniran, 2001; Walker et al., 2002). As the Irish construction sector recovers following a protracted recession, the need to understand the factors and processes that construction organisations utilise in leveraging their internal capabilities, resources and business process to achieve competitive advantage warrant investigation. Specifically, for construction professional service firms (CPSFs), which are high knowledge intensive firms, managing this knowledge to deliver on strategic goals is critical to sustained competitiveness.

Studies into professional services sectors such as law and accounting are prevalent (Connaughton & Meikle, 2013), so too is that of management and information technology consulting firms, however it is argued that CPSFs are “…neither as well studied nor as documented as they are in the more general PSF domain” (pp. 96). In some cases strategy within CPSF’s is undertaken unbeknown to the strategist (Murphy, 2013) therefore adopting a strategy-as-practice (SAP) approach to the investigation into three dimensions of strategy (practitioners, practices and praxis) as put forward by Jarzabkowski (2005), is appropriate in this regard. In so doing it suggests a deeper understanding of “strategising” within these firms operating in turbulent construction markets, specifically in Ireland.

Using a review of the literature, several aspects of strategy relating to the formulation and implementation process in CPSFs are identified, and significant gaps in the existing literature are highlighted. A number of research questions are presented for further research to help improve current understanding of how strategy is used in practice within these firms. In addition to this, a short discourse on the requirement for this research in the recovering Irish construction industry is outlined, with the appropriate methodology to be adopted for the study identified and linked to outcomes for construction management theory and industry practitioners.

LITERATURE REVIEW
The theory of strategic management is broadly classified into planning (formulation), and implementation phases (Cheah & Chew, 2005; Lu, 2010). The study of strategy using a SAP approach is both novel and appropriate in construction given conditions may change during in between the planning and implementation stages. In practice, researchers focus more on the planning phase rather than the implementation if strategy (Noble, 1999), however without successful implementation, planning is ineffective. A brief overview of the formulation and implementation strands of strategy is carried out in the context of the Irish construction industry.

Strategy formulation
Porter (1996) defined strategy as creating a unique, defensible and valuable offer which addresses a significant target market in pursuit of competitive advantage. The strategy aims to be one differentiated from competitors’ products and services in the target market, addresses an identified customer need, and for competitive advantage to be sustainable, must be aligned and fit the activities and capabilities deployed by the firm. Within the context of construction, the purpose of formulating strategy is to assist the firm obtain a competitive fit with its
environment and enable ongoing organisational development in achieving performance objectives (Oyewobi et al., 2015). Lu (2010) proposed the use of quantitative approaches and analytical methods for formulating strategy and charting an appropriate strategic path for a firm. Lu (2010) further argued that the formulation of strategy should not be reduced to a repeatable “scientific” process, rather should adopt a rationally analytical process, leading to appropriate strategy. Thus, strategic planning is not only concerned with mechanistic models or planning, but should incorporate irrationality, intuition, and understanding of political behaviour (Elbanna and Child 2007; Khatri and Ng, 2000). Thus, strategy formulation is not solely about modelling or application of analytical techniques, but rather it should be an art, involving creativity and creative thinking which are not automatically associated with scientific analysis.

Recent strategy theorists have identified the need to employ a practice-based view of strategy (Johnson, Melin, & Whittington, 2003; Varyani & Khammar, 2010) to gain a fuller understanding of strategy formulation and implementation. The Strategy As Practice (SAP) perspective focuses on the activities performed by strategy practitioners, exploring ways in which people (either top-level or middle managers, consultants or professionals) mobilise practice tools or adopt specific skills and roles when actually engaging in, or “doing”, strategic activities (Rouleau, 2013). The SAP approach provides the missing link between formulation and implementation, enabling researchers to gain insight into the microelements of strategy, particularly in highly knowledge intensive firms such as construction PSFs.

Several inquiries into strategy research in construction have utilised Porter’s generic competitive strategies (Porter, 1980; 1985), based on the assertions that for any firm to attain sustainable competitive advantage, it will have to seek one of the generic competitive strategies i.e. differentiation, cost leadership and focus. In an alternative study, Price and Newson (2003) also affirm that all three generic strategies were encountered in their study of the construction industry and were being implemented by organisations within the sector. It is therefore evident that in the construction sector, most firms seek to practice one or more of Porter’s strategies. In Ireland and the UK Tansey et al. (2016) discovered that most construction firms opt for cost leadership, particularly in response to environmental uncertainty. There remains very few studies investigating the social dimension of CPSFs, specifically how they interact with their most critical competitive asset (knowledge) and how individual processes can thus inform theories of change in construction. With strategic management as a formal field of academic inquiry firmly established for decades (Rumelt et al.,1994), it is surprising to find a dearth of empirical evidence related to the strategy of PSFs given the importance of the sector for economic growth, particularly in Ireland (Murphy, 2013). At the point of writing, no empirical research has been uncovered using a SAP approach to CPSF, in particular in an Irish context, thus a notable gap in this regard remains.

**Strategy implementation**

Snow & Hambrick (1980) argued that the reaching a consensus in research about distinguishing between strategy formulation and its implementation is essential for researchers in strategic management practice. They confirm that reaching an agreement is advantageous in that it creates a clear distinction between the cognitive aspects of strategy (formulation) and its other necessary action component (implementation) (pp. 528). Hrebiniak & Joyce (2001: 602) labelled the strategy implementation process as “a neglected area in the literature of strategic management”. Some researchers resort to denial and declare that the concept of strategy implementation is elusive (Bourgeois & Brodwin, 1984), while some only refer to the implementation process as covering wide-ranging areas (Noble 1999), due to its fragmented nature within the organisation and management research (Hrebiniak &
Joyce, 2001). Others, however, believe the implementation actions may depend largely on the type of approach under consideration (Aaltonen et al., 2008).

It is not unusual to find strategy practitioners ignoring context when implementing strategy, with the temptation to use a one-size-fits-all approach. However, this propensity to adopt a "catchall" approach is inadequate as strategy cannot be implemented using mere replications of what worked in other industries, due to variations across sectors (Prasad, 1995; Vries & Pak, 2011). Also, utilising a broad view or macro-level analysis of strategy, based on studies conducted in other industries may be considered as not providing clear descriptions of how these strategies are implemented in praxis. Between the last two decades, strategy researchers have thus begun looking at strategy on the micro-level, looking through what can be termed the “black box” of strategy, examining the matter from a practice-based perspective and as a social phenomenon, via the investigation of how practitioners of strategy act and interact in reality (Whittington, 1996; Johnson, Melin & Whittington, 2003). This strand of strategy research advocates for an activity-based view of strategy, whereby a micro-analysis of how people at every organisation level interact in the strategy process, to identify what is actually done in implementing strategy and by whom. Based on the emerging need for clearer theoretical and practical inquiry into the strategy implementation processes, particularly within construction firms, to understand the strategy process on a micro level, specifically in CPSFs. Prior to such an investigation, however, it is appropriate to ascertain the existing knowledge base pertaining to strategy within professional service firms (PSF) before applying it to construction.

Strategy in Professional service firms

Despite the recent positive development in strategic management as a discipline, there remains limited empirical evidence about how construction professional service firms use strategy in practice (Connaughton & Meikle, 2013). In a review of the PSF practice, Von Nordenflycht (2010) highlighted that one of the most significant obstacles to understanding PSFs is in relation to the ambiguity of the central term: the definition of what a PSF is. Savan (1989) defines a profession or groups of professions as “groups which apply specialised knowledge in the service of a client” (p. 179). Von Nordenflycht (2010) further prescribed them to be viewed in the light of the focus on their three principal characteristics: knowledge intensity, low capital intensity, and a professionalised workforce. In the construction sector, there is often no clear distinction for PSFs as they are aggregated with contractors and tradesmen/artisans. However, PSF’s are intrinsically different from “regular” construction contractors. Löwendahl (2007) highlighted that PSFs are essentially highly knowledge intensive firms, with a high degree of customization in their work and who must rely considerably on professional judgement for the execution of their services. These businesses have a much higher degree of client interaction given that clients participate in the entire process of service delivery thus resulting in many challenges being faced by these companies. Therefore, it is proposed to investigate how strategy is influenced by professionals, their sense-making planning activities and tools used in practice in the context of CPSF’s.

Strategy-as-Practice: Making a case for adoption in CPSFs

In the seminar work on SAP, Jarzabkowski & Spee (2009) stated that one must consider not only the doing of strategy but “...who does it, what they do, how they do it, what they use and what implications this has for shaping strategy (pp. 1). The inquiry in PSFs is unique due to the types of operations typical of these firms, with complex and highly skilled individuals working within them (Nousala et al. 2005b). Exploring strategy in highly complex
environments such as CPSFs requires an approach that examines the relationships across the organisation and the adoption of human-centric theories for understanding social constructs, conflicting situations, asymmetry, and fragmentation in strategy formulation within organisations.

In exploring the dynamics of PSFs, the appropriate theoretical grounding for analysis is the knowledge-based view of the firm, which claims that knowledge is a crucial tool for attaining sustained competitive advantage (Grant, 1996). Penrose (1959), who posits that the possession of a solid knowledge base enables firms to identify and exploit opportunities swiftly. Thus, the role of strategists in the development and implementation of strategies, particularly as it relates to the acquisition of knowledge within CPSFs is proposed. More specifically, this inquiry seeks to evaluate the extent to which the competitiveness of construction professional service firms may be explained in terms of their ‘practices’. In essence, the notion of dynamic capabilities relating to a firm’s ability to reconfigure its resources in response to changing environments (Salunke et al., 2011). This is of critical importance for CPSFs in Ireland, as the economy returns to growth and presenting a need for research which highlights how this high knowledge intensive firms use strategy for gaining competitive advantage. Addressing this need is crucial for practitioners and academics alike, and will involve capturing the actors and actions in the strategy process of these service firms to understand competitiveness within the industry.

An overview of the Irish construction industry

The need for this type of inquiry into practices around competitiveness and survival of construction businesses is not unconnected to the decline experienced in Ireland during the period of recession (2007-2012). However, the construction industry has now returned to a period of sustained growth. Murphy (2013) provided evidence of the need for an in-depth empirical research into the strategy of PSFs in the construction sector, highlighting that the scope of strategic management research in construction will need to extend to how the processes emerge over time in response to an improvement in the construction industry. Tan et al. (2012), argue that the development and implementation of an effective strategy would allow for construction firms to match their activities to the rapidly changing business environment and attain a sustained competitive advantage.

The basic premise for this inquiry is therefore appropriate as a potential means of explaining how CPSFs engage in the “doing” of strategy in highly turbulent construction environments. This research stream, particularly in the Irish construction industry has received little attention within the construction management community. The gaps identified from the literature coupled with the schisms that characterise strategy research in the CPSFs lead to the research questions identified in the next section.

RESEARCH QUESTION, AIMS AND OBJECTIVES

To increase the understanding of the “doing” of strategy within and across architectural, engineering and construction organisations in Ireland, the following research question is proposed:

"What are the strategic management processes (practitioners, practices, praxis) deployed in high knowledge-intensive professional service firms within the turbulent construction market in Ireland?"

The paper has two main objectives. The first is to explore the strategy processes implemented by architecture, engineering and surveying firms in Ireland, to advance the work conducted
by Flemming (2011) who investigated strategic management in Irish architectural companies and Murphy (2013), who investigated strategic management practices in Irish QS firms. This research complements those above by investigating engineering companies and comparing findings across the AEC professions using the SAP approach, which is the key contribution of the study.

The second objective is to explore the knowledge acquisition networks within these firms (PSFs) as a means of communication of strategy. Knowledge management (KM) has previously been linked to outcomes such as superior performance (Hassan et al., 2016), improved leadership (Egbu, 1997), enhanced interfirm relationships (Mariotti, 2011) and team performance (Stubbs Koman and Wolff, 2008), but there is limited evidence of knowledge acquired to business performance outcomes. An increased understanding of the link between knowledge acquisition and strategy will facilitate better decision making for the construction professionals in responding appropriately to the changing business cycles in the industry.

The key issues that will be addressed in relation to the practice of strategy based on the recommendations of Jarzabkowski & Spee (2009) are: Who does it? What do they do? How they do it? What tools do they use in the doing of strategy? What are the implications of their decisions on the entire process. Drawing on three elements (or 3-P’s) of strategy outlined by Jarzabkowski (2005), Table 1 further expounds the themes to be explored in the ongoing study.

Table 1 Summary of selected SAP studies in construction and links to current study

<table>
<thead>
<tr>
<th>Empirical research</th>
<th>SAP Elements</th>
<th>Empirical focus</th>
<th>Implications for current research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dansoh (2005)</td>
<td>Practitioners; Practices</td>
<td>Personnel involved in the formulation of strategic plans; duration and participation in strategising</td>
<td>Identification of who engages in strategy process from formulation to implementation; how do they participate; formality</td>
</tr>
<tr>
<td>Löwstedt (2015)</td>
<td>Practices</td>
<td>Impact of strategic practices on organisational outcomes; patterns of strategising; social identity</td>
<td>Strategist approach; professional grounded habitus; knowledge acquisition tools</td>
</tr>
<tr>
<td>Koch et al. (2004)</td>
<td>Practitioners; Praxis</td>
<td>Flow of change strategy initiation; role of middle managers in mediation and translation of strategic intention</td>
<td>The role and strategic agency of strategists in shaping, impeding and enabling knowledge-driven competitive strategy</td>
</tr>
</tbody>
</table>

**PROPOSED METHOD**

The evaluation of strategy implementation processes of construction organisation is complex, needing a detailed methodological approach to data collection, analysis and interpretation. An outline of the philosophical underpinning of the research approach is provided below, with the proposed method of data collection also briefly discussed.
 Research philosophy and method

Engaging a pragmatic approach to research studies results in value-laden and appealing studies, seeking to generate positive effects on the value system being studied (Tashakkori & Teddlie, 1998). The current study lies within the pragmatic school of philosophical thought and will employ mixed methods for data collection. The pragmatic approach is widely accepted as the philosophical foundation for the mixed methods approach, which will be used in this research. Creswell (2003) highlighted that for mixed methods researchers, pragmatism allows pluralistic approaches to research, different worldviews, and different postulates, as well as various forms of data collection and analysis in a single study. It will be used as suitable lenses for use in this research and subsequent analysis.

Since the research covers three areas of SAP (practitioners, practices and praxis), a preliminary comparative case study (Eisenhardt, 1989) will be conducted before applying quantitative regressions. Such an approach seemed appropriate, due to the holistic nature of the study and the pluralistic nature of strategy across firms. This study had no preconceptions or theoretical framework on SAP in CPSFs due to limited empirical evidence within construction, but it will instead be based on the perspectives that emerged from the case studies. The results of the latter would be complemented/discussed with practitioners to use their judgment/opinion as support for theoretical explanations, culminating in the development of a model for professionals.

CONCLUSION

The preliminary background for the ongoing study is presented in this paper, highlighting the objectives, the gap in knowledge and methodology to be applied to the current doctoral study. Overall, this study addressed the need for comprehensive empirical research that captures the actors and actions undertaken, driving knowledge-based competitive strategy in construction professional service firms. Using support from literature and drawing on the strategy-as-practice view of competitive strategy, the paper presents a potential addition to the body of knowledge in SAP research in highly knowledge-driven project-oriented service firms. The recovering Irish economy provides an appropriate setting for this investigation, and the issues raised will inform future research in that, the key questions raised and the theoretical justifications identified in this research can be further examined and validated during the data gathering process.

REFERENCES


