ABSTRACT

The traditional philosophy of management in construction, both in academia and in industry, places great emphasis on the ability to plan and execute projects. In the construction industry, although the pressures of project performance can often obscure the broader social, economic, and professional context in which strategic management is undertaken, it is these broad contextual areas that make strategic management an essential issue for construction organizations. Rapidly changing social and technological issues are creating a professional environment that will look very different in the coming decades than that experienced in today’s organizations. This paper introduces a study of the current strategic management practices of construction organizations. The paper introduces the concept of strategic management and the areas that organizations must address to compete in the global marketplace.

KEY WORDS: Strategic Planning, Management, Construction Industry

INTRODUCTION

The construction industry is one of the driving industries in the world economy. In the India, construction volume in 1996 was in excess of $3.12 \times 10^{13}$ rupees, with more than 10 lacs firms operating in the construction sector. However, in contrast to other manufacturing industries that fabricate large number of units such as automobiles or personal computers, the construction industry is generally focused on the production of a single and unique end product. In this format, the focus of management is on the planning and control of resources within the framework of the project. While project management topics receive significant focus from construction professionals, less attention is paid to strategic management. In this focus, strategic management addresses the challenges of operating a construction organization as opposed to an individual project. However, due to the extensive emphasis on project management requirements, significantly less attention is given to the unique...
requirements of strategic management. Specifically, existing literature and research reports provide far fewer avenues for construction professionals to obtain strategic management knowledge. In response to this issue, the current research effort was undertaken to examine strategic management practices in the construction industry and identify strategic areas requiring greater attention by the industry.

This paper introduces the findings from a primary component of this study, the characterization of strategic management practices in the construction industry. This paper is based on theory. Finally, the paper addresses the need for action within the industry to achieve a greater level of effectiveness in the area of strategic management.

WHY STRATEGIC MANAGEMENT
Technology, communication, and market advances are fundamentally changing the global perspectives of time, distance, and spatial boundaries. Two decades ago organizations could identify themselves as local, regional, national, or international in scope and expect that these definitions were clearly defined. However, with the emergence of technological innovations, these boundaries have been blurred to the point where any organization can theoretically participate in a design or construction project in any location. Concurrently, the concepts of company loyalty, traditional competitors, and employee development are changing at a pace that has not previously been encountered in post-industrial times. Of particular interest is the emergence of three issues that form the need for a strategic management perspective by construction organizations - knowledge workers, new markets, and information technology.

Knowledge Workers
Today’s work place is evolving from a skill-based environment to one that is knowledge-based. Originally seen in manufacturing, this transformation focuses on the day-today tasks completed by staff personnel. In manufacturing, traditional operations required workers with machinery skills developed over long periods of employment. Knowledge of diverse engineering procedures was not as valuable as the skill required to keep the assembly line moving at each station. In contrast, today’s manufacturing facilities are characterized by highly automated machinery featuring robotics, automated vision systems, and artificial
intelligence components. Operation of these advanced manufacturing facilities requires
workers to operate an automated segment of the facility that formerly was manned by
multiple teams of skilled operators. In this manner, manufacturing is transferring from a skill-
based economy to one that values knowledge as the key to operational effectiveness New
Markets

**Information Revolution**

While the developments in human resources and markets demand that construction
organizations respond to changing circumstances in the employee and customer marketplace,
the information revolution is impacting all aspects of the construction profession. Current
computing technologies are providing construction professionals with access to rapidly
expanding information repositories and evolving communication pathways. This access has
profound implications for the construction industry in several areas including intra-office
communications, client relations, and site management

**WHAT IS STRATEGIC MANAGEMENT?**

The history of strategy and strategic management covers a broad timeline from ancient
Greece to the 21st century. Organizations, practitioners, and researchers from every sector of
the professional world have focused on strategy as a primary topic at some point. In contrast
to mathematics, physics, or material science, strategy does not contain universal truths that
can be documented through scientific theorems and proofs. However, as illustrated through
the extensive history of strategic management, scientific and management advancements
have been integrally related to the field for centuries. From this development, strategic
management encompasses principles from a combination of quantitative and qualitative
fields. On the quantitative side, management and industrial sciences have formalized the
domains of operations, logistics, and finance. Complementing this quantitative rigor are the
human dimensions of psychology, sociology, and human resource management.
In combination, these quantitative and qualitative elements address diverse organization
needs including professional, technical, and strategic demands.
However, similar to the difficulties that arise when architects, engineers, and constructors are
unable to communicate due to incompatibilities in vocabulary, organizations cannot develop
long-term plans when members are working from different definitional bases. Reducing
uncertainty and miscommunication requires a common understanding and interpretation of
foundational concepts. In the field of strategic management, these foundational concepts
include strategy, strategic management, strategic planning, and strategic plans.
Strategy Defined
Beginning at the highest level of abstraction, the first strategy concept is that of strategy itself. The basic concept of strategy is that of an idea. Specifically, an idea that sets in place a path that responds to multiple internal and external influences (Porter 1979; Hamel & Prahalad 1989; Collis & Montgomery 1991). In contrast to the execution and control plans developed for individual projects, strategies are concepts that contain no intrinsic steps to achieve the final destination. Originally developed by rulers and military leaders attempting to broaden their empires, the concept of strategy can be traced to the beginnings of recorded history. The development of strategic concepts, whether from a military perspective or a modern business perspective, does not occur spontaneously. The development of strategic concepts requires an environment that fosters strategic thinking and focus. The establishment, continuation, and enhancement of this environment is the focus of strategic management. Strategic management models have been evolving in the business domain on a continuous basis since the late 19th century. Combining input from these models with the results of interviews conducted by the authors with civil engineering executives, the current study proposes that strategic management in the context of the construction industry comprises the following seven areas:

**Vision, Mission, and Goals** – The starting point for all organization endeavours; establishing a vision provides each member with a direction to follow in all business practices.

**Core Competencies** – The business boundaries for an organization; core competencies establish what an organization does best and where its strength resides.

**Knowledge Resources** – The combination of human and technology resources that provide the backbone for completing organization projects.

**Education** – A focus on the informal and formal requirements for lifelong learning and understanding of evolving business conditions.

**Finance** – A broad focus on monetary concerns beyond the project-to-project concerns of budget and schedule control.

**Markets** – The analysis of expanded business opportunities within domains that are related to core competencies.

**Competition** – A focused analysis and understanding of existing, emerging, and future competitors in both existing and potential market segments.

**Strategic Planning** – The implementation side of strategy

Strategic management provides the environment that encourages the development of strategic concepts. However, just as strategic concepts do not usually develop spontaneously, the
existence of a strategic management environment does not guarantee that organization members will focus on developing strategic concepts. To encourage this focus, numerous academic and business writers have proposed various strategic planning models (Thompson & Brooks 1997; Lemmon & Early 1996; Davis 1987; Mintzberg 1994; McCabe & Narayanan 1991). These strategic planning models provide specific instructions for approaching, executing, and evaluating the development of strategic concepts. For example, a common model emphasizes the need for an organization to: 1) build a strategic planning team, 2) set the strategic planning objectives, 3) gather member input, 4) synthesize the developed ideas, 5) develop an implementation plan, 6) execute the plan, and 7) evaluate the success of the ideas prior to the start of the next strategic planning timeframe. However, as with any topic that focuses on procedural processes, the number of strategic planning methods is increasing at a rate that sometimes appears to be exponential. As such, the strategic planning process is slowly becoming synonymous with the entire field of strategy. This connection is incorrect. The strategic planning process is one element of the overall strategy topic. Strategic planning is the focused attention to the development of strategic concepts based on the inputs provided by the seven areas of strategic management.

The Strategic Plan – Putting it all Together

The previous strategy elements combine to focus a construction organization in a particular direction for a particular planning period. Although this strategic direction is a major milestone for the strategic planning process, it is not the final conclusion required for implementation purposes. Rather, a strategic plan is required to outline the goals, objectives, mileposts, and evaluation criteria that must be followed to achieve the developed strategy.

VARIOUS FRAMEWORK USED IN STRATEGIC MANAGEMENT

PORTERS’S five forces of framework

The Porter's Five Forces tool is a simple but powerful tool for understanding where power lies in a business situation. This is useful, because it helps you understand both the strength of your current competitive position, and the strength of a position you're considering moving into. With a clear understanding of where power lies, you can take fair advantage of a situation of strength, improve a situation of weakness, and avoid taking wrong steps. This makes it an important part of your planning toolkit. Conventionally, the tool is used to identify whether new products, services or businesses have the potential to be profitable. However it can be very illuminating when used to understand the balance of power in other situations.
Understanding the Tool

Five Forces Analysis assumes that there are five important forces that determine competitive power in a business situation. These are:

- **Supplier Power**
- **Buyer Power**
- **Competitive Rivalry**
- **Threat of Substitution**
- **Threat of New Entry**

![Figure 1 Tools for PORTER'S five forces of framework](image1)

**Resources based VIRIO framework**

**Tangible assets** are the easiest to value, and often are the only that appear on a firm’s balance sheet. They include real estate, production facilities, and raw materials, among others. Although tangible resources may be essential to a firm’s strategy, due to their standard nature, they rarely are a source of competitive advantage. There are, of course, notable exceptions.

![Figure 2 Tangible assets](image2)

**Intangible assets** include such things as company reputations, brand names, cultures, technological knowledge, patents and trademarks, and accumulated learning and experience.
These assets often lay an important role in competitive advantage (or disadvantage), and firm value.

**Organizational capabilities** are not factor inputs like tangible and intangible assets; they are complex combinations of assets, people, and processes that organizations use to transform inputs into outputs. The list of organizational capabilities includes a set of abilities describing efficiency and effectiveness: low cost structure, “lean” manufacturing, high quality production, fast product development.

**Dynamic capabilities framework**

The firm’s processes that use resources—specifically the processes to integrate, reconfigure, gain and release resources—to match and even create market change. Dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die.
Advantages of Strategic Management

Financial Benefits:

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<th>Improvement in sales</th>
<th>Improvement in profitability</th>
<th>Improvement in productivity</th>
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Figure 5 Financial Advantages of strategic management

Non-Financial Benefits:

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<th>Improved understanding of competitors strategies</th>
<th>Enhanced awareness of threats</th>
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<th>Reduced resistance to change</th>
<th>Enhanced problem-prevention capabilities</th>
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Figure 6 Non-Financial Advantages of strategic management
CONCLUSION

From this know that which method is useful in strategic management related to construction industry. The first step in the process of moving to a strategic management perspective is to determine where current strengths exist, where gaps exist, and where the priorities will be set. An organization should not be discouraged if it finds one or more areas have significant gaps at the present time. Every organization has room to improve. The difference between the organization that is destined to succeed and the one that is destined to ride the waves of the marketplace is the desire to fill these gaps. From above contain know that why someone have to use strategic management in construction industry. At the same time, the organization needs to be realistic about its efforts to fill these gaps.

REFERENCES

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