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Strategic planning in construction professional service firms: a study of Irish QS practices

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The role and usefulness of strategic planning has been documented over several decades of strategic management research. Despite the significant body of existing knowledge in the field of strategic planning, there remains limited empirical investigation of the construction sector, specifically professional service firms operating within it. The construction sector is hugely important to the Irish economy, yet until now, no empirical investigation has been undertaken to determine the strategic planning process in construction professional service firms in Ireland. A two-phase mixed methods study was undertaken to ascertain the extent of strategic planning within quantity surveying (QS) practices in Ireland. Characteristics of the strategic planning process differ between practices to such a degree that three groups of practices are apparent. Groups are differentiated along dimensions of size and ownership structure, which influence the generic strategies and competitive positioning of practices. Strategic planning process formality and the existence of a written plan are positively associated with large practices that form part of a global organization. Informal strategic planning is undertaken in practices without a written strategic plan but tends to be tactical (project-based) rather than strategic in nature. The realization of the need for systematic strategic planning in QS practices is, however, beginning to emerge, given the turbulent environment within which the firms are competing. While the conclusions are specific to the QS profession, the research has been designed such that it has potential to be applied to other professional service firms.

Keywords: Strategic groups, strategic management planning characteristics, strategic planning process.

Introduction

Strategic planning is associated with establishing organizational context, determining a desired future state and mechanisms by which the organizational objectives may be reached. Ultimately, strategic planning is the process by which organizations seek to gain advantage over competitors, be it by way of profit, market share, growth or survival. There is considerable evidence to suggest that engaging in strategic planning improves firm performance (Baker *et al.*, 1993; Brews and Purohit, 2007), hence it is crucial to the success of firms operating in a competitive environment. A multitude of studies have been undertaken to assess strategic planning across various industries. However, there remains limited evidence as to the universality of findings as they relate to the

construction sector and more specifically professional service firms (PSFs) within it (Jennings and Betts, 1996). 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 Economic Consultants, 2012). Government capital expenditure, low interest rates, relaxed lending criteria and a deficit in housing stock were among the drivers that fuelled a construction boom of unprecedented proportions. 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

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to stifle economic growth and investment in construction. The importance of the construction sector to the Irish economy and the magnitude of the reversal of fortunes mean that now, more than ever, firms within the sector must engage in strategic planning to survive.

Existing literature in the field is broadly classified in terms of strategic planning content (Stonehouse and Pemberton, 2002) or the strategic planning process (Fredrickson and Mitchell, 1984), the latter being the focus of this paper. Strategic planning is a multi-dimensional, complex process wherein the potential to incorporate related fields of strategic management further broadens the scope and exacerbates the complexity in measuring process variables. Dimensions such as the approach taken to strategic decision making (Mintzberg *et al.*, 2003), organizational type (Miles and Snow, 1978) as well as characteristics of the strategic planning process including formality, participation, flow and time horizon (Segars and Grover, 1999) must be considered within the context of the environment within which a firm is operating. In Ireland, the sector is characterized by discontinuous demand, market uncertainty and ever more demanding clients, hence the requirement to ascertain the manner in which strategic decisions are made under such conditions.

The present body of strategic planning literature is extensive. However, the degree to which the construction industry has been empirically tested within the literature is extremely limited. This paper seeks to address the perceptible gap in this regard and is presented in four parts. First, a review of the literature pertaining to strategic planning process characteristics is conducted, including the use of strategic planning tools to facilitate the process. The purpose of engaging in strategic planning is to determine a course of action to achieve organizational objectives, thus a review of generic strategies (Porter, 1980) and their application to construction is also undertaken. The second part of the paper details the research method for undertaking the study. The mixed methods employed are informed by existing strategic planning literature, pilot tested and subsequently administered on QS practices. It is worth noting, however, that the rigour with which the research was developed and tested means that it now has potential to be used within other PSFs. The third part of the paper reports and analyses the findings from the fieldwork undertaken, drawing comparisons with the existing body of literature within the discipline of strategic planning. Finally, conclusions are drawn from the preceding analysis, noting limitations as well as suggestions for future research.

Review of literature

Background

The multifaceted nature of strategic planning results in varying characteristics of the process becoming evident between firms. The degree of formality with which the process is undertaken is influenced by the organizational strategic type and approach taken to the process resulting in distinctions along dimensions of process characteristics becoming apparent.

The extent of environmental analysis, flow of initiatives, participation in the process, duration of planning timeframe as well as the use of strategic planning tools to aid decision making are characteristics which require consideration. Many characteristics have been considered previously, including in the work by Segars and Grover (1999) within information systems planning and subsequently by Papke-Shields *et al.* (2006) in the manufacturing sector; they have yet to be scrutinized within PSFs in the construction sector. PSFs display distinct characteristics such as service intangibility, high customization and complex knowledge-based 'output' (Greenwood *et al.*, 2005) which must be borne in mind throughout the discussion.

Strategic planning approach and formality

The approach to strategic planning shapes how decisions are made. Earlier authors, such as Ansoff (1957), advocate a rational or planned and formal process, whereas the next wave of studies, largely guided by the work of Porter (1979, 1980, 1985), has its roots in industrial economics. Industry analysis and the positioning of the firm within the industry context form the focal point of diagnostic models such as Porter's 'five forces' (1979) as well as the 'structure-conduct-performance' (1981) framework of analysis.

Critics of the rational/planned approach posit that it is prohibitively restrictive. The incremental/emergent school claim that complex business environments require a flexible approach to strategy formation. Recent additions to the 'planned versus emergent' strategy debate emphasize the importance of both the analytical and incremental schools of thought, thus merging the benefits of both in what has been termed 'planned emergence' (Grant, 2003). This approach advocates a structured yet flexible approach to strategic planning enabling the organization to adapt the strategy in light of changing circumstances. Thus strategy should be planned and developed systematically yet remain sufficiently flexible to react to changes within a dynamic industry and competitive environment.

Another school of thought, largely spearheaded by Barney (1981), known as the resource-based view

(RBV) of the firm, suggests that the ability of an organization to maintain competitive advantage lies with the internal resources and capabilities of the firm. Aspects of the RBV echo the emergent approach put forward by Mintzberg (1994). The RBV has particular relevance to PSFs, wherein the knowledge, experience and efficiency with which client requirements are met form a significant contribution to competitive advantage (Maister, 2003; Greenwood *et al.*, 2005). This is particularly important within construction PSFs where clients are becoming more demanding and are involved at every stage in the process of service delivery.

The approach to strategy formulation may influence the formality of the strategic planning process. An important distinction must be made between strategic plan formality and strategic planning process formality. The former rests on the existence of a written plan whereas the latter is the process by which it is undertaken. The degree of formality in strategic planning is correlated to company size. In construction, Price *et al.* (2003), following a widespread survey of UK construction firms, concluded that large firms are more likely to have a formal process resulting in a documented output. Furthermore, Dansoh (2005) discovered that construction contractor firms that are subsidiaries of international firms are more likely to engage in formal strategic planning. While these conclusions undoubtedly contribute to the discussion, they do not purport to report on professional practices within the sector. Furthermore, prominent authors in the field, including Mintzberg (1994), raise concern regarding excessive formalization of the process in place of recognizing that strategy is a learning process.

The approach to strategy will have an impact on the formality of the process while the profile of the organization may influence the approach. This is often referred to as the 'strategic type' following the seminal work of Miles and Snow (1978). They contend that although each organization may have differing strategies based upon their unique characteristics, patterns of behaviour will transpire centring on four organizational types, namely: prospector, analyser, defender and reactor. The typologies were developed following investigations conducted within a variety of industry settings and the potential application to any industry, including construction, is a key strength of their contribution.

Strategic planning comprehensiveness

Analysis of the environment within which a firm is operating is a vital aspect of the strategic planning process. Changes in the environment, both internal and

external, will impact on organizational strategy. However, the degree to which organizations systematically analyse the environment within which they operate varies widely. A measure of the degree of consideration given to such wide-ranging factors is known as strategic planning comprehensiveness, which is defined by Fredrickson and Mitchell (1984) as follows:

Comprehensiveness is a measure of rationality and is defined as the extent to which organizations attempt to be exhaustive or inclusive in making and integrating strategic decisions. (Fredrickson and Mitchell, 1984, p. 399)

Evidence suggests a positive relationship exists between environmental uncertainty and the formality of the strategic planning process, in that as the extent of environmental uncertainty increases, so too does the extent of planning (Covin and Slevin, 1989). Within construction, the macroeconomic environment is characterized by a large degree of uncertainty with factors such as government policy, inflation, interest rates and regulation playing a critical role. The cyclical nature of the industry therefore necessitates flexibility in the strategic planning processes of QS practices to ensure they remain responsive in their strategic approach in such uncertainty (Lansley, 1983).

The degree of comprehensiveness will be driven by the company principal, thus the strategic type (Miles and Snow, 1978) must also be considered. Comprehensive planning is a feature of prospector and analyser organizations in particular as these organizational types are exhaustive in gathering and integrating data into the decision-making process. Company size may also have an impact although there is a lack of consensus in this regard. In their investigation of over 1000 small and medium enterprises (SMEs) in Ireland, Gibbons and O'Connor (2005) concluded that SMEs conduct regular analysis to maintain competitive advantage. Frost (2003), however, argues that although company size is an important determinant of comprehensiveness, the strategic planning process in Australian SMEs is not comprehensive.

Arguably the most significant contribution to the discussion of strategic planning comprehensiveness is provided by Segars and Grover (1999) wherein five profiles of strategic information systems planning became apparent based around the schools of thought developed by Mintzberg and Quinn (1991). The conclusion from this provides support for the 'planned emergence' approach, implying that a marrying together of planning and learning schools will result in higher levels of comprehensiveness. Within a construction context, the flexibility required in light of the uncertain environment lends support to this proposition.

Despite the importance of examining the relationship between the construction firm and its environment 'little research has been undertaken to examine the extent of empirical association between the two' (Phua, 2007, p. 753). The complexity of the construction sector and fragmented nature of the strategic management discipline may explain the deficit while reinforcing the need to address the deficiency.

Analysis of a firm's competitive environment is also regarded as an important component of the strategic planning process and has featured in many highly regarded models of strategic management, most notably in the seminal work of Porter (1979, 1980). The apparent lack of competitor analysis within construction, however, represents a significant divergence from strategic planning research. In construction, the emphasis on client behaviour stems from the unique nature of the output and clearly takes priority over competitor analysis, perhaps because:

Most construction organizations try to build good relationships with customers in order to ensure repeat work, which is considered as a primary source of all work, rather than 'over-competing' with rivals to attract their customers. (Price *et al.*, 2003, p. 357)

Whether customer and competitor analysis can remain mutually exclusive given the turbulent industry and macroeconomic environment remains to be seen.

Flow and participation

Another frequently discussed characteristic within the realms of the strategic planning literature lies with the source and direction of strategic planning initiatives. Strategic planning initiatives frequently flow from the top down, regardless of the overall approach to strategy development (Segars and Grover, 1999; Papke-Shields *et al.*, 2006). The tendency for strategic planning to flow from the top may result in strategy being developed in the absence of first hand knowledge of what is happening on the ground. The resulting 'detachment' will have ramifications for the pursuit of competitive advantage by stifling innovation and missing the important 'soft data' along the way due to excessive reliance on quantitative reporting rather than qualitative (Mintzberg, 1994).

A separate but related characteristic lies in the degree of participation in the strategic planning process. It has been argued that top-down planning approaches lead to limited participation (Segars and Grover, 1999), while positive effects of increasing the scope of involvement may include an increased sense of ownership and shared vision (Collier *et al.*, 2004).

Research within construction indicates that strategic planning initiatives flow from the top down with limited company-wide participation (Price *et al.*, 2003; Dansoh, 2005). It has been argued, however, that PSFs could benefit from a consultative approach to strategic decision making as staff at various levels interact directly with clients imparting the vision and ethos of the practice while doing so (Maister, 2003; Löwendahl, 2005). This in turn influences the client's perception of the organization which has implications for securing the repeat business upon which many PSFs depend. The benefit of widespread participation in the strategic planning process is therefore apparent.

Strategic planning tools

Numerous tools have been developed to aid the strategic planning process, many of which are examined by Frost (2003). However, there remains scepticism regarding the extent to which strategic planning tools are used in practice. Stonehouse and Pemberton's (2002) survey of both the service and the manufacturing sectors concluded that despite recognition of the importance of strategic planning, 'tools of analysis largely remain the domain of academics and observers' (p. 860). This view is supported by Grant (2003) within the context of the oil industry and Caeldries and van Dierdonck (1988) who suggest that 'theoretical development thus seems to be far ahead of strategic planning practice' (p. 45).

Construction companies do not favour the use of strategic planning tools. Possible reasons for this include a shortfall in skills necessary for use of such tools and a lack of recognition of the potential benefits (Price *et al.*, 2003); furthermore it is arguable that certain tools may be more applicable in other sectors. The lack of tool usage within construction firms may, however, represent a constraint on the development of strategic decision making and perhaps even a wasted opportunity. Tools such as scenario planning provide a useful mechanism for determining alternative courses of action within an uncertain environment (Benes and Diepeveen, 1985) and have potential use within QS practices, at both strategic as well as project level (Langford and Male, 2001). It is important to remember that the education and training of a QS in quantitative analysis, economics and project management equip them with the skills to carry out such analysis; therefore it is surprising that it is not prevalent at a strategic level in practice (Price *et al.*, 2003).

Strategic plan duration

One area where consensus has been reached within the literature is in the time horizon for a strategic

plan. The most common time horizon is between three and five years (Stonehouse and Pemberton, 2002; Price *et al.*, 2003; Dansoh, 2005). It has been argued that planning for a longer time horizon 'is a recipe for inertia and incrementalism' (Hamel and Prahalad, 1994, p. 119).

Strategic choice

The ultimate objective of the strategic planning process is to determine the future direction of the organization and the mechanism by which the firm endeavours to achieve the objectives in light of the environment within which it is operating. The process of strategic planning, regardless of formality or approach, ultimately requires choices to be made between alternative strategies.

The challenge of applying traditional strategic planning models to construction firms has been recognized by a number of authors on the subject (Langford and Male, 2001; Price *et al.*, 2003). However, Porter's (1980) generic strategies for identifying strategic options for competitive advantage do not pose a similar challenge. On the contrary, the generic strategy framework has practical application to contracting and PSFs alike and has previously been used in the analysis of the construction industry (Hillebrandt and Cannon, 1989; Betts and Ofori, 1992 and 1994; Jennings and Betts, 1996; Price *et al.*, 2003). Porter's generic strategies broadly take the form of cost leadership, differentiation or focus/market niche.

In a comprehensive review of the application of Porter's generic strategies to construction, Jennings and Betts (1996) confirm that the potential for cost leadership in QS practices lies in creating internal efficiencies and in the ability to 'optimise the level of resources' to reduce the cost base (p. 176). The pursuit of a cost leadership strategy is clearly evident within Irish QS practices given the prevalence of below cost tendering revealed in the Society of Chartered Surveyors Ireland (SCSI) Tender Price Index (Society of Chartered Surveyors Ireland, 2012).

Differentiation occurs when a firm attempts to make its products/services more appealing to the customer than the products/services of the competition, thereby potentially commanding a higher price. Jennings and Betts (1996) note the dominance of differentiation as a business strategy pursued by QS practices. Testing of the data revealed that the size of QS practice impacted on the aspect of differentiation being followed, with larger practices (over 20 QSs) competing using their reputation and smaller practices (fewer than five QSs) relying on repeat business with a faithful group of clients (a view that is shared by Hillebrandt *et al.*, 1995; Green *et al.*, 2008). Medium sized practices

(6–20 QSs) tended to have a diverse strategy choice ultimately differentiating through the range of service provision. However, regardless of how the practices differentiate themselves from competitors, the most important element across the board was deemed to be 'punctuality of service, identifying the client's requirements and maintaining good relationships' (Jennings and Betts, 1996, p. 175). This supports the work of Maister (2003) and Löwendahl (2005) in other PSFs and is crucial in enhancing the QS practice reputation, upon which repeat business depends.

A focused strategy involves applying either of the aforementioned strategies to a particular segment within an industry in order to develop a specialization. Examples of this for QS practices may include focusing on a specific sector or geographical area, or developing a specialist expertise (e.g. sustainable construction). While this strategy may be particularly appropriate to a smaller firm care must be taken with a focused strategy based on specialist expertise, as it may be imitable over time and may not provide a sustainable competitive advantage (Barney, 1981).

The need for empirical research in the construction sector

The benefits of strategic planning in pursuit of competitive advantage have been well documented in a number of industry contexts. However, there remains limited scrutiny of strategic planning within construction firms and particularly PSFs in the sector. There are challenges associated with analysing a multifaceted process in a complex industry with unique characteristics. This is particularly so for PSFs within such an industry and this may explain the deficiency.

Until now, no empirical investigation of strategic planning in Irish QS practices has been undertaken. The importance of the construction sector to the Irish economy and the growing dependence on services for economic growth necessitate a more detailed investigation of how strategic decisions are made within construction PSFs. Now, more than ever, PSFs within construction must engage in strategic planning to survive in the highly competitive environment within which they are operating. The following section outlines the method by which this investigation was undertaken in order to explore the type, scope, extent and characteristics of strategic planning in Irish QS practices.

Research design

The research design draws on the widespread literature available. However, the measurement criteria were informed by a number of leading authors within the chosen dimensions of strategic planning as follows:

- Organizational type:
 - Organizational types—Miles and Snow (1978)
 - Approach: Mintzberg (1994)
- Environmental analysis:
 - Industry analysis: Porter (1980); Hillebrandt *et al.* (1995)
 - Uncertain environment: Eisenhardt (1989); Grant (2003)
- Generic strategies:
 - Porter (1980); Betts and Ofori (1992); Jennings and Betts (1996);
- Strategic planning characteristics:
 - Comprehensiveness: Fredrickson and Mitchell (1984); Segars and Grover (1999); Papke-Shields *et al.* (2006)
 - Flow: Baker *et al.* (1993); Segars and Grover (1999); Papke-Shields *et al.* (2006)
 - Participation: Dyson and Foster (1982); Segars and Grover (1999); Papke-Shields *et al.* (2006)
 - Planning horizon: Dansoh (2005); Papke-Shields *et al.* (2006)
 - Strategic planning tools: Frost (2003); Stonehouse and Pemberton (2002)

The appropriateness of methodologies has changed in line with the evolution of the discipline itself. A comprehensive overview of strategic management research methods is provided by Hoskisson *et al.* (1999) who conclude that for research focused on the RBV, mixed methods are most appropriate. The strategic management of PSFs is influenced by the RBV of the firm, hence mixed methods were employed for the research in two phases.

Phase one

The initial phase of research sought to discover not only the prevalence of strategic planning in QS practices but also an insight into the characteristics of the process. To gain a full understanding of the numerous facets of strategic planning processes in a previously underexplored context, semi-structured interviews were used to collect the data. The nature of the subject necessitated the involvement of the senior manager/principal with input into strategic planning, thus the managing director of participating practices was the key informant in each case.

A number of techniques exist for conducting interviews (Robson, 2002). Semi-structured interviews were deemed suitable for the study given the lack of existing information specifically pertaining to the subject matter. The semi-structured interviews ensured a clear focus to each meeting, while

maintaining flexibility in the sequence of discussion and providing the opportunity to probe respondents for fuller explanations when required. Cross-case analysis was made possible due to the structure used to facilitate each interview which focused on general company information, organizational objectives and strategic type, environmental analysis, generic strategy and other issues.

Phase two

A small research grant was provided by the SCSi for the purpose of undertaking a widespread survey of members of the QS division of the Society, which was undertaken approximately one year after the initial phase. A comprehensive review of literature as well as matters arising from phase one served to inform the second phase.

The questionnaire comprised 31 questions in three sections (general company information, strategic management practices and strategic planning/decision-making processes) and included open-ended, multiple choice and Likert-scale questions. Each Likert-scale question consisted of five answer choices, where one was always the negative and five the positive end of the scale. The navigational guide was consistent throughout the survey, wherein a simple style and symmetry were employed to make the response task easier, as recommended by Dillman (2000). Some terminology that could be perceived by practitioners as being ambiguous was reworded. The decision not to replicate wording verbatim from existing studies was one of the contributions of the pilot study feedback, discussed in a later section.

A conscious decision was taken to omit questions pertaining to company finance. The strategic planning–performance relationship is clearly an important one, which has been addressed in a number of studies as overviewed by Shrader *et al.* (1984). However, it remained outside the scope of the research.

Sample design

For phase one of the research, a selective sample of 10 QS practices was chosen based on known information regarding company size. Classifications of small, medium and large firms differ from one source to the next (Jennings and Betts, 1996; Price *et al.*, 2003); for the purposes of this research practices were classified based on three bands of employment. The final sample included a range of practice sizes. These practices also participated in phase two, not only to ensure that no sampling bias existed, but also to validate the analysis of the qualitative phase.

As noted previously, member practices of the SCSi were targeted for the second phase. The SCSi

provided a list of all practices registered with the QS division and contact was made by telephone to briefly outline the purpose of the study, to confirm willingness to participate and to determine the key informant's e-mail address. The process resulted in the survey population being reduced as a number of practices had ceased trading and a number of principals stated that they did not wish to participate in the research, therefore no further contact was made in such cases. The sample size and response rate for this phase of research are:

• Initial survey population	203
• Closed	24
• Undeliverable	6
• Did not wish to participate	23
• Final sample size	150
• Total number of responses	62
• Response rate	41%

Pilot study

To test the appropriateness of the research methods, a pilot study was undertaken prior to undertaking each phase of the research. Experience from undertaking a pilot study ‘helps to throw up some of the inevitable problems of converting your design into reality’ (Robson, 2002, p. 383). Five practices participated in the pilot study, which provided invaluable insights into the strategic planning practices of QS firms in Ireland. A hugely positive response was expressed by participants in the pilot study regarding the need for the research at hand, and a willingness to participate in future phases was confirmed.

For the second phase, a questionnaire was developed based on existing literature as well as issues raised during phase one. For example, phase one had shown that many respondents are not familiar with strategic planning terminology, thus care was taken to ensure questions were phrased with this in mind. Given the volume of answers required, questions were formulated to be concise with a minimum number of open-ended questions, and the questionnaire was designed to be as user-friendly as possible. Once again, the questionnaire was pilot tested which resulted in a small number of minor amendments being made.

Data collection and analysis

Qualitative approaches require a rigorous data collection procedure to ensure the reliability and validity of the analysis. Importantly, the rigour with which the data are collected and analysed ensures sufficient

transparency to prevent research bias as well as the possibility of replicating the study in other sectors. The phase one interviews were (with the respondents’ permission) recorded, transcribed and transcripts returned to respondents to confirm accuracy. Transcripts (once confirmed by respondents to be accurate) formed the basis of analysis and were, alongside other case notes (company documents, audio files, etc.), uploaded into Computer Assisted Qualitative Data Analysis Software (CAQDAS).

A case file was established for each company to which records of that company were assigned and attributes of the company were determined along dimensions of structure, general company information, strategic type, approach and objectives, environmental analysis, strategic planning characteristics and generic strategy. The aforementioned structure represents the broad coding strategy to which data were initially coded at various levels. The researcher used an independent observer to spot-check the data to ensure the data were relevant to the heading to which they had been coded. No amendments were required.

The detailed multi-layered coding system used in phase one provided the structure of the questionnaire developed for phase two, ensuring a consistency of approach and facilitating cross-phase analysis. The survey was compiled and administered through an online survey tool (surveymonkey.com) and results were downloaded and collated directly from the survey instrument. Key informants were identified in advance and correspondence was personalized where possible. A three-wave approach to data collection was undertaken to increase the response rate. Phase one respondents’ participation in phase two ensured that validity and reliability were achieved.

Reliability and validity

Triangulation was used in the study as a strategy to ensure against possible threats to validity and in this study the primary mechanism of triangulation was methodological triangulation (Robson, 2002). The configuration of semi-structured interviews was similar to that of the questionnaire, and as respondents from phase one participated in phase two direct comparisons could be made to ensure the veracity of qualitative analysis. Furthermore, the rigour with which the research instruments were designed and tested now provides the opportunity for replication within other PSFs.

Results and discussion

The following discussion primarily centres on findings from the quantitative phase of the research which was

representative of both phases given the participation of phase one respondents in the second phase. As noted, semi-structured interviews addressed the key elements and indeed informed some of the questions contained in the survey. Where differences in responses between phases occur, they are identified and explanations provided where possible. Where fuller description or reasoning is required responses from the first phase are used to provide an explanation in conjunction with comments provided within the questionnaire.

Respondent demographics

Demographic information pertaining to company size is contained in Table 1. Practice size (outlined in Table 1) represents an average 40% reduction in practice size since the peak of construction employment during the second quarter of 2007. Many smaller practices made a strategic choice to restrict the size of the practice, even in the midst of the construction boom. In most cases the decision was driven by the desire to remain a 'practising' quantity surveyor rather than a business manager. The friction between being a practitioner rather than a business manager has been noted in previous studies relating to PSFs (Coxe *et al.*, 1987) and is not only central to the strategic decision-making process within PSFs, but also sets them apart from other firms.

The range of services offered by practices varies. However, no unambiguous link exists between the size of the organization and the range of services provided. Larger practices tend to offer a greater range of services. However, given the changing nature of demand within the industry many smaller practices are also diversifying their service offerings. Although 89% of respondents are independently owned, 11% form part of a larger global organization. The ownership structure plays a crucial role in determining the type, scope, extent and characteristics of strategic planning within the practices and is a contributing factor to the classification of practices into distinct groups.

Table 1 Respondent demographics

Number of people employed	Response (%)
0–5	66
6–10	13
11–20	10
20–50	7
50–99	3
>100	1

Strategic planning formality

The overwhelming majority (69%) of QS practices do not have a formal/written strategic plan. Of those that do have a written strategic plan, most form part of a larger global construction consultancy. The approach to strategy tends to be planned in these cases with a time horizon of up to five years, which is consistent with previous studies within the sector (Dansoh, 2005). Strategic planning is considered important within this group. However, there is growing realization among other practices of its usefulness particularly given the pace of change and intensity of competition within the sector.

Evidence suggests that company principals are thinking and acting strategically. However, despite strategic decisions being made continuously, often they are not formally recorded nor do they form part of a systematic decision-making procedure. In such cases the practices are engaging in strategic planning without realizing it. This is consistent with findings from other studies, most notably that of Hillebrandt and Cannon (1994).

Strategic type and approach

The strategic type of respondents, as categorized by Miles and Snow (1978), varies within QS practices. An equal number of 'defenders' and 'reactors' was confirmed with only 23% confirming an 'analyser' approach and a mere 15% that of a 'prospector'. The implication of this is that there is a small number of practices driving change within the profession while others respond subsequently.

The approach to strategic planning among respondents is evenly split between planned and emergent. This is an interesting finding in that despite other characteristics being closely aligned with the resource-based view of the firm, the approach to strategy clearly is not. This finding is also important when compared to, for example, Green *et al.* (2008) where it was concluded that among contracting firms an emergent approach was predominant. The approach to strategy formation is, however, reflective of the strategic type whereby there is a clear tendency towards a planned approach by prospectors and analysts, whereas reactors have a marginal tendency towards an emergent approach and defenders vary in their approach.

Each prospector practice forms part of a global organization which plays a central role in the strategic planning process wherein the characteristics of the process are inherited by head office and tend to be more systematic, formal and involve greater participation from various levels within the organization.

Comprehensiveness

The extent of information gathering and the exhaustiveness of analysis of the internal and external environment act as a barometer of the comprehensiveness of the process. Much of the existing literature emphasizes the importance of undertaking industry, competitor and environmental analyses, in order to successfully compete within an industry. The extent of strategic planning comprehensiveness is a complex matter for analysis. The question designed to determine the extent of comprehensiveness was greatly influenced by the work of Papke-Shields *et al.* (2006). Participants were asked to rank the degree of importance of a number of issues derived from the literature on a Likert scale. The assumption behind the question is that the greater the perceived importance of the issue, the more comprehensive the analysis and attention the issue is given.

Most notable from the responses was the agreement on the importance of repeat business (86% selected 'very important'). The second largest proportion (46%) confirmed that construction sector analysis is important with a large proportion (42%) of respondents noting the importance of relationships with other construction professionals. Competitor analysis is seldom undertaken among QS practices (33% of respondents note it is 'unimportant') regardless of company size or ownership structure, which is unsurprising given the limited information available as a consequence of confidentiality with client organizations. Information that is available tends to filter through the 'grapevine' or via informal networks. This is one area of digression from the existing strategic planning literature, wherein competitor analysis is advocated in order to position a company to gain competitive advantage (Porter, 1979).

On the whole, evidence suggests that analysis of the external environment is cursory despite the turbulent environment within which QS practices are currently operating in Ireland. A minority of the largest practices publish an annual construction industry review, which other practices refer to. However, for the latter the emphasis is far from comprehensive. Analysis of the macroeconomic environment is marginally more comprehensive. However, it tends to be on an informal, ad hoc basis by senior management.

Comprehensive internal analysis is prevalent. Participants were acutely aware that the internal resource capabilities of the firm were the drivers of competitive advantage and ultimately success. Emphasis is placed on the management of the internal organization, in particular human resource management (HRM). This is consistent with existing literature pertaining to PSFs wherein human resources provide the

'expertise, experience and efficiency' (Maister, 2003, p. 21) required to meet client requirements. The intangible nature of professional service provision as well as the overlap between production and consumption, mean employees have a critical role in the marketing of the professional practice. The reputation of the practice and repeat business are crucial to QS practices regardless of size or sector conditions, with 85% of respondents confirming that repeat business was 'very important'. Respondents also noted the importance of maintaining good relationships with other construction professionals as a source of repeat business.

Concentration on human resources is clearly evident while the comprehensiveness of analysis of quality control procedures is less distinct. Although 80% confirm that quality control is important or very important fewer than 40% have ISO certification. It may be concluded that while quality control is important to meet client requirements, hence presumably secure repeat business, certification for quality control is not deemed necessary.

Flow and participation

Strategic planning is an informal process that is driven by senior management within the sample. A top-down approach with limited participation from staff is the norm, which is consistent with the findings of other studies within the profession (Jennings and Betts, 1996). However, practices with a formal written strategic plan encourage widespread participation at various levels of the organization in the strategic planning process.

Strategic planning tools

The use of strategic planning tools is limited, which concurs with the conclusions drawn by Stonehouse and Pemberton (2002). Where strategic planning tools are used, they tend to be concentrated among those practices that engage in a formal strategic planning process, with practices identifying SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis as the main tool being used. Scenario planning and risk management tools are also used by a number of practices. However, such use tends to be for tactical (project level) rather than strategic purposes.

Strategic choice

The corporate strategy currently being pursued by respondents is broadly spread across the four outlined by Porter (1980). Approximately one-third of respondents noted that a combination strategy is currently being pursued, with the most frequent combination being stability and expansion and the second being stability and rationalization. Only 31% of respondents

reported a change in corporate strategy over the previous five years.

Business level strategy is heavily concentrated on best cost strategy (59%) with differentiation (39%) being the second most favoured strategy. This is broadly similar to the findings of Boon (2008) in New Zealand QS practices. A divergence between phases of the research was evident in this regard. The predominant strategy being pursued by phase one respondents was differentiation (based on range of services and quality of service provision) at that time. Respondents were contacted and a change in business strategy was confirmed due to economic circumstances as well as the significant reduction in tender prices in the intervening period.

A number of respondents (17) selected more than one option indicating a 'stuck in the middle' (Porter, 1980, p. 41) strategy. Nearly 30% of those who selected a number of business level strategies noted that three in particular were being pursued, namely:

- Striving to achieve lower overall cost/price than rivals.
- Seeking to differentiate our service from rivals to appeal to a broad spectrum of clients.
- Providing the best value compared to rivals offering services with similar attributes.

In 75% of cases the business level strategy had not changed in the preceding five years. In the remaining cases a number of explanations were provided to support the need for a change including:

- 'Price appears to be the main criterion rather than the quality of service offered.'
- 'Fees are being driven down to unsustainable levels to maintain business. This will certainly result in a reduction in the quality of services offered.'

Furthermore approximately one-third of respondents confirmed that they had either entered or were considering entering foreign markets, with the UK and the Middle East the most common markets being considered. This tends to be project/client led rather than a strategic decision to become a global practice, save for those firms that form part of an international organization. Future studies may usefully explore the important impact of globalization on construction PSFs, the detail of which lay outside the scope of this study.

Strategic groups

The preceding sections have provided a comprehensive analysis of the type, scope and extent of strategic planning in Irish QS practices. A number of patterns

have become apparent which allow for the clustering of firms into distinct groups across which themes are further explored and comparisons made between groups. An important differentiating factor among respondents to this research lies in the ownership structure. For the purposes of this study, given that no data existed regarding the ownership structure, the decision was made to classify respondents simply based upon whether they were an indigenous practice or formed part of a global organization. Practices linked to a global organization demonstrate an approach, a formality and strategic planning process characteristics that are different from those without such a link. This is consistent with the findings of Dansoh (2005) within the construction sector in Ghana. The significance of the relationship is outlined by Porter (1980) who identified the importance of the inclusion of a firm's relationship with its parent in the definition of strategic group dimensions. For Irish QS practices, those with the link believe it to be invaluable in terms of potentially providing services to Irish clients wishing to work abroad.

The strategic groups within QS practices in Ireland are aligned primarily along dimensions of ownership structure and size. Group A includes practices that are a subsidiary of a global practice, Group B consists of large (over 20 employees) indigenous QS practices and Group C comprises smaller (fewer than 20 employees) indigenous organizations. Despite the approach varying between groups some similarities remain regarding the generic strategy being pursued. The training, education, membership of SCSi and influence of lifestyle choices of the key decision maker are also broadly similar across groups.

Group A practices are those that form part of a global organization, thus decisions regarding strategic planning in the Irish practices are influenced by the parent company. The group is characterized by a formal strategic planning process with widespread participation across various levels of the organization. The strategist displays 'prospector' characteristics whereby in each instance, Group A practices pursued an expansion strategy in the past. Practices within this group have a planned approach to strategy development which involves many layers of practice staff in the process and again, this is directly driven by parent company requirements. The planned approach is consistent with the structured strategic planning process ultimately leading to a written strategic plan, which is reviewed regularly. Comprehensive industry, macro-economic and internal analysis is undertaken, with limited emphasis on competitor analysis. All practices are ISO certified which, together with the reputation of the firm of providing a quality service, is the basis of the differentiation strategy. The range of

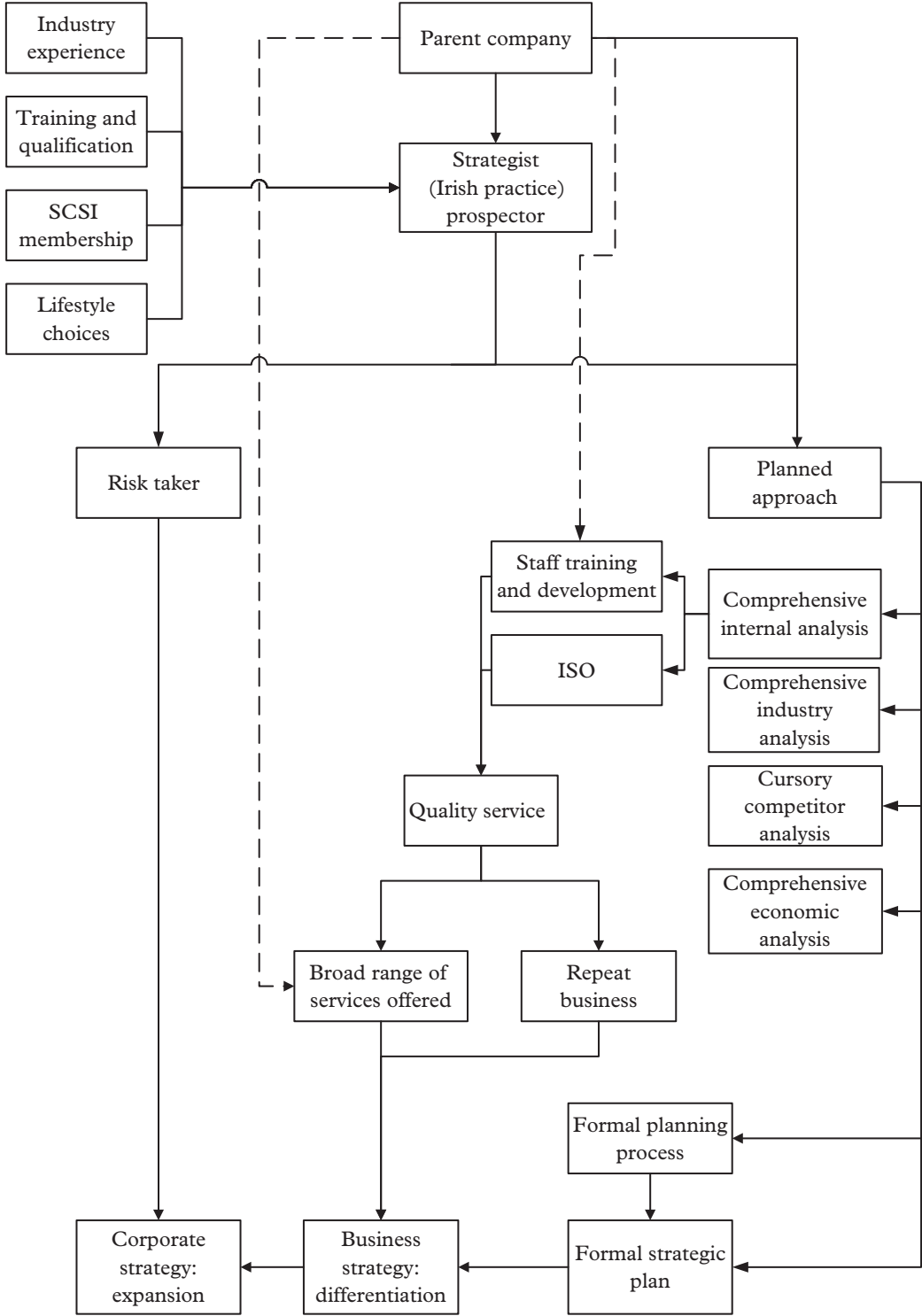


Figure 1 Causal map A

services provided is broad as practices enjoy economies of scope as well as scale in many instances. The influence of head office is once again apparent, as the Irish practice has the potential to offer the full range of services provided by the parent company. The

strategic planning process for Group A practices is mapped in Figure 1. Practices within Group B display many characteristics that are similar to those of strategic Group A, the chief difference being the ownership structure, with

Group B being indigenous practices. The strategists within Group B tend towards the prospector type, and the overriding corporate strategy has been to expand the practice (although in recent times this has been replaced by stability). Despite a systematic

approach to strategy formation being evident, it does not necessarily result in a formal process nor in many cases a written strategic plan. Comprehensive industry, macroeconomic and internal analyses are undertaken. However, analysis of competitors is

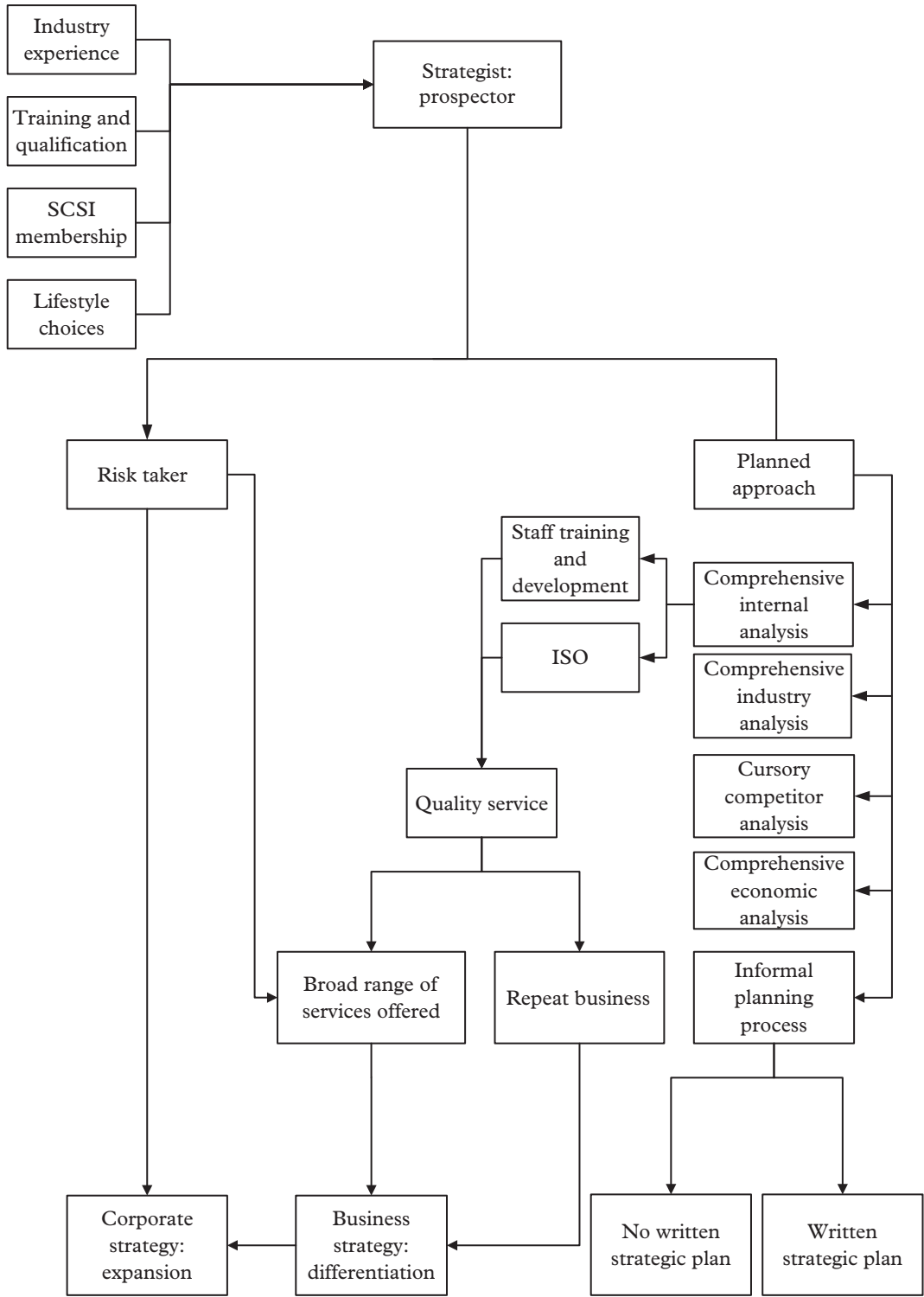


Figure 2 Causal map B

cursory at best. The emphasis on the internal organization, in particular HR is clear, resulting in a business strategy based upon differentiation in both the quality and range of services provided.

Participation of staff in the strategic planning process is more limited than within Group A. However, in some cases staff are invited to contribute to the process.

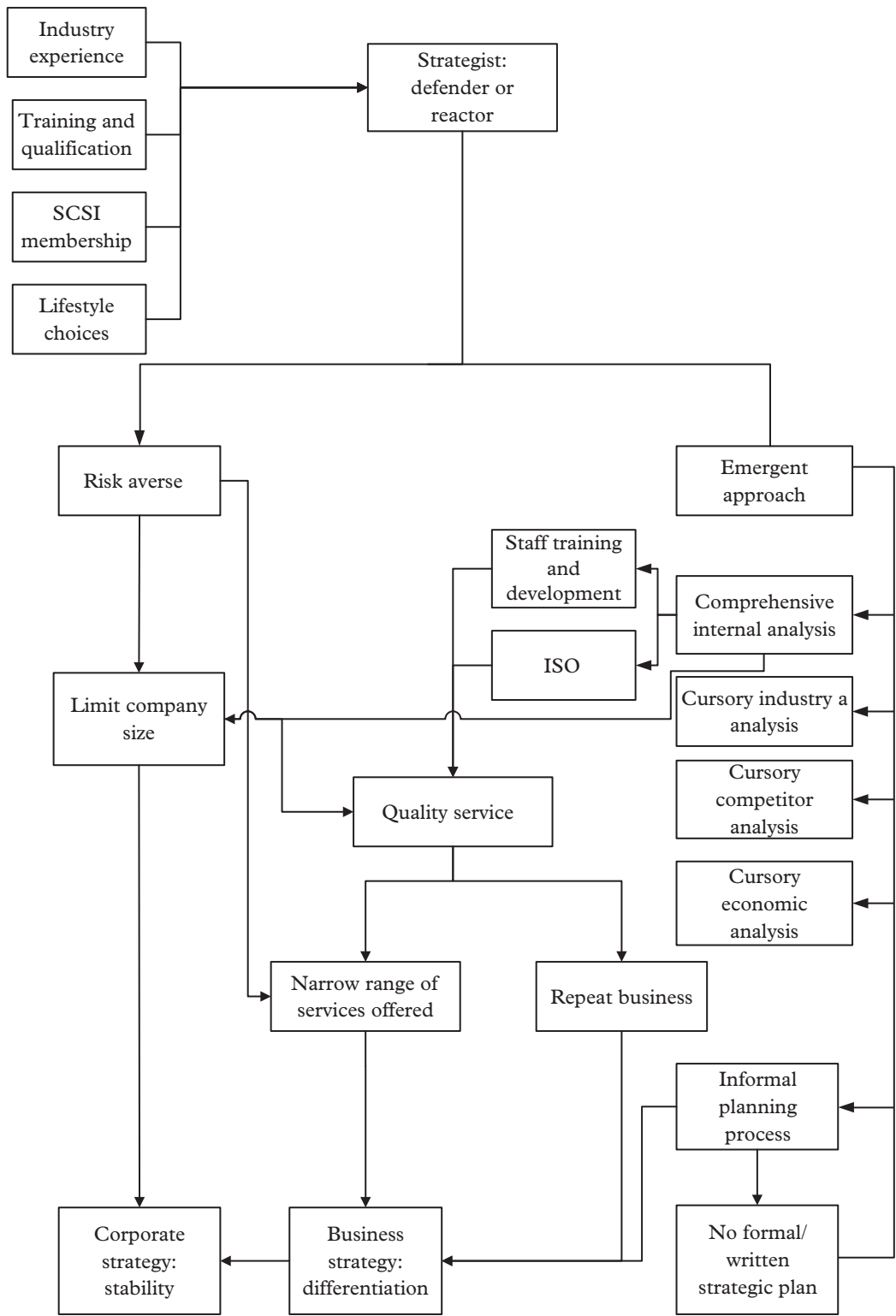


Figure 3 Causal map C

Figure 2 displays\ the strategic planning process for Group B practices which clearly identifies similarities to Group A (and indeed Group C) in terms of factors influencing senior management and company size. However, the ownership structure results in a more informal approach to strategic planning.

The final group, Group C, comprises smaller indigenous firms with the strategist tending towards the 'defender' or 'reactor' type. In many instances, a strategic decision was made to restrict the size of the practice even when the potential existed to expand. Lifestyle choices were cited as being an important influence in the decision-making process in this regard as well as the desire to function as a QS rather than a business manager. A tendency towards risk aversion is thus evident. Although comprehensive internal analysis is conducted only cursory analysis is conducted of the external environment. Interestingly, although past corporate strategy was predominantly concerned with stability, the current corporate strategy varies among the members of this group, demonstrating alternative mechanisms being utilized for survival. The strategic planning process is informal and driven by the strategist and communicated ex post to staff as required.

Significant emphasis is placed on the importance of staff which would usually be reflected in a resource-based approach to strategy, particularly in a PSF. Members of this group acknowledge that they do not drive but rather react to market trends; consequently the approach to strategy development is primarily emergent. Much of the success is attributable to the strategist(s) and the personal relationships that have been developed over a number of years with other professionals within the sector as well as clients. A causal map reflecting Group C is presented in Figure 3.

As is the case for the preceding two groups, education, experience and membership of the professional body are similar influences on the strategist. However, in this case the practices are smaller and independently owned. The generic strategy of differentiation through the quality and personal service provided to repeat clients is the core competitive strategy for survival.

Conclusions

Despite the abundance of existing literature within the field of strategic planning, a perceptible gap is evident within the construction sector, particularly in the context of PSFs operating within it. This gap is particularly pronounced within the Irish construction sector. The aim of the research was thus to bridge this gap by investigating the type, scope and extent of strategic planning undertaken within PSFs, specifi-

cally QS practices in Ireland and to ascertain the extent to which the strategic decision-making process in these practices was similar to that described in the existing literature in the field.

The results show that principals of QS practices are thinking and acting strategically, sometimes unbeknown to themselves. However, the characteristics of the strategic planning process vary between practices. The process characteristics differ to such an extent that three distinct groups are apparent, primarily grouped along dimensions of ownership structure and size. The first group comprises subsidiaries of larger firms that tend to have a planned approach, resulting in a formal written plan that has been compiled following comprehensive environmental analysis and widespread staff participation. Conversely, smaller indigenous firms tend to have an emergent approach to strategic decision making which is solely driven by the principal and seldom have a written plan. Larger indigenous practices display more variance in their approach to the process, with differing levels of formality, participation and extent of environmental analysis which in some cases results in a written strategic plan. Considerable research has been undertaken in identifying group behaviour some of which concentrates on the stability of groups over time (DeSarbo *et al.*, 2009). Evidence from the research at hand confirms the existence of distinct groups within the profession which may be further expanded in the context of strategic group behaviour. The measurement criteria by which strategic planning in QS groups was classified provide a useful framework for future research in this regard.

The recognition of the need for systematic strategic planning is beginning to emerge across all groups and greater consideration is being given by QS practices to the process. An opportunity now exists to conduct further, longitudinal, research to track how strategic planning processes emerge over time. Furthermore, the research has shown that many QS practices' principals are unfamiliar with strategic planning terminology, which, coupled with the lack of experience in strategic planning evident from the research, lends support to the need for development of mechanisms by which professional practitioners are trained in strategic planning.

The research was designed using mixed methods following a thorough review of the extensive literature base and was rigorously pilot tested prior to being administered. Few limitations to the research method were encountered; consequently the research instruments may now be replicated in other industry and professional practice settings.

As is the case in any empirical study, a number of limitations are evident. The limits encountered during

the course of this exploratory study may also represent opportunities to expand upon what has been discovered, thus forming the basis of future research. Four main issues arise.

First, the study focused on QS practices that were members of the SCSi. There are a number of other QS practices that are not members of the Society and are therefore excluded from the study. Second, the research was undertaken over a 12-month period of rapid change within the industry. While the study benefited from the two-phased approach which enabled comparison over time, further extension of the study over a longer time period would provide the opportunity to analyse strategic planning during a period of economic stability as well as turbulence. Third, the evidence highlighting the importance of ownership structure within the profession may be expanded. Whereas the findings pertaining to indigenous versus multinational practices is insightful, a future study may ascertain differences in the strategic planning process also based upon whether the practice is a partnership, or a private or public company. Finally, several strategic planning process variables were investigated during the course of the research. However, the relationship between strategic planning and firm performance lay outside the scope of the study. New insight has been gained through this investigation regarding the structure of the profession, strategic choice and the strategic planning process in QS practices, any of which may now be used as a criterion against which performance may be measured.

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