

Strategic Planning in the Construction Companies in Oman

Engr. Layth Al-Ghraisee

Department of Post-Graduate Studies,
Middle East College, Oman

Dr. Maria Teresa Matriano

Faculty, Department of Post-Graduate Studies,
Middle East College, Oman

ABSTRACT

This research aims to evaluate the role of strategic planning in construction companies in Oman and to know to which level the strategic planning is used in this sector as well as the efficiency of that use in the different sizes of companies. There will be an evaluation of the components of strategic planning as well as the success factors in strategic planning with a brief focus on the challenges of strategic planning. One very important factor for each organization to stay strong is to have a successful strategic planning. The successful strategic planning needs some key factors to achieve true success. These factors will be investigated in this research.

Keywords: strategic planning, components of strategic planning, construction companies, challenges of strategic planning

CONCEPT OF STRATEGIC PLANNING

Strategic planning is a process done by the organization's leader to determine the vision as well as the goals and objectives (Rouse 2020). Strategic planning as a tool for strategic management and the decision-making process is used to obtain certain results in the future (Aguila 2015). It has been defined as a technique that involves the identification of future trends, threats, opportunities, and analysis of the competitions and diversification which may change organizational perceptions based on historical trends (Boateng et al. 2015). This is an organization's process of defining its strategy or direction and making decisions on allocating its resources to pursue this strategy (Cakmak and Tas 2012).

Strategic planning is an organization's process of defining the strategy, direction, or decision-making and allocating the required resources (Haythem 2015). Strategic management and planning are defined as directing individual and group activities toward group objectives. This is the art of making, implementing, and evaluating decisions that enable the organizations to achieve its long-term objective (Asakereh and Bahrani 2012). Strategic planning is a disciplined effort to produce fundamental decisions and actions shaping the nature and direction of an organization's activities within the legal bound (Boateng et al. 2015). Strategic planning would go out for ten years, but the companies usually do it for 2-3 years only and even some of the companies do it for one year only (Lotich 2019).

TYPES AND LEVELS OF STRATEGIC PLANNING

Strategic planning can have a different meaning to different people and organizations, it can have many meanings and outcomes as well. On a basic level, strategic planning could be an articulated plan to naming vision, mission, goals, and objectives, wherein some time it required to consider the external factors and analyses. The strategy could mean a drive for organization engagement by cascading goals to make everybody in the organization know what is his or her role in the plans.

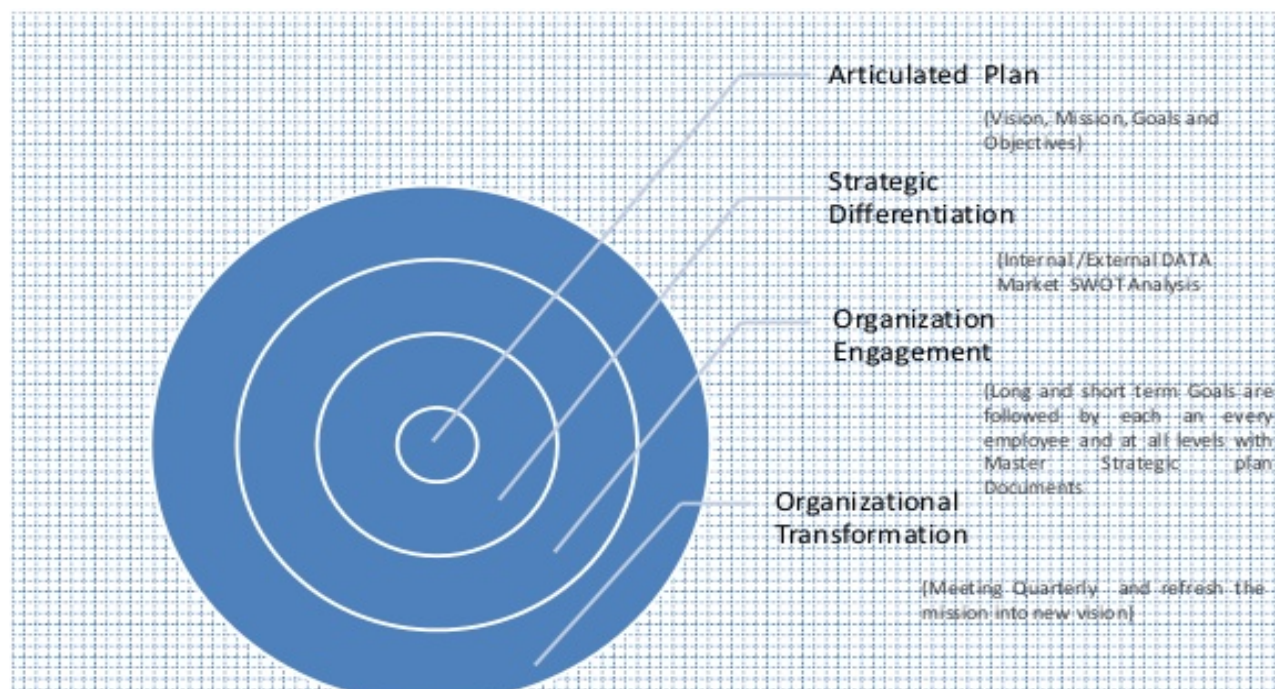


Figure 1: The Three Meaning of Strategy. Two-liner description (Rouse 2020)

From figure 2.1, the strategic planning process has led to an articulated plan to guide the decision taken about the organization's directions and goal and this can be considered as one aspect from the multiple aspects of strategic planning. This strategic planning includes three levels of planning - corporate-level strategy, business unit-level strategy, and market-level strategy (Sang 2020). Not all times that there is a need to present it in this way, where many times some levels are dispensed based on the organizations' size and type of business. The strategic planning in construction always built on the technological and social factors as a base to make the decisions, and this usually was done by the top management informally, and many types of research and books were taken about the projects management more than the firm management in the construction field.

THE IMPORTANCE OF STRATEGIC PLANNING

Strategic planning was considered as providing significantly and positively financial success to the companies and is considered as a key element of the organization management in achieving business sustainability and better competitive advantage (Chaudhry et al.2014). Several academic sources showed the importance of the strategic planning in different ways. Previous studies about the relationship between strategic planning and performance in the organization have mixed outcomes (Jayawarna and Dissanayake 2019) as listed in below table:

Table 1:Reviews the Relationship Between Strategic Planning and Organizational Performance (Jayawarna and Dissanayake 2019)

Author	Method	Conclusions
Mintzberg (1973)	Literature study	Planning applies to stable environments and emergent strategy to dynamic industries
Wood and LaForge (1976)	Questionnaire	Strategic planning has a positive performance effect
Sapp and Seiler (1981)	Questionnaire	Strategic planning has a positive performance effect
Fredrickson (1984)	Scenario analysis	Comprehensiveness has positive performance relationship in stable industries
Rhyne (1986)	Questionnaire	Planning openness has positive association with performance
Fredrickson and Acquinto (1989)	Scenario analysis	Comprehensiveness has positive performance relationship in stable industries and negative in dynamic industries
Kukalis (1991)	Questionnaire	Planning flexibility has a positive performance association
Miller and Cardinal (1994)	Meta-study	Strategic planning has a positive relationship to performance, particularly in dynamic industries
Hopkins and Hopkins (1998)	Questionnaire	Planning intensity has a positive relationship to performance in the banking industry
Phillips (2000)	Questionnaire	positive relationship between planning sophistication and performance in UK hotel industry
Baker (2003)	Questionnaire	Strategic planning tools has a positive impact on financial performance in food processing industry
Aldehayyat and Twaissi (2011)	Questionnaire	Strong positive relationship between strategic planning and corporate performance in Jordanian small industrial firms
Karel, Adam and Radomir (2013)	Questionnaire	SMEs with high strategic clarity will outperform those with moderate strategic clarity, but SMEs with low strategic clarity outperformed those with moderate strategic clarity in the Czech and Slovak Republic
Sandada, Poee and Dhurup (2014)	Questionnaire	Strategic planning has a positive association and predictive relationship with the performance of SMEs
Wijetunge and Pushpakumari (2014)	Questionnaire	SMEs are moderately engaged in strategic planning process and there is a positive relationship between strategic planning and business performance

The above review table shows that the historical relation of the strategic planning and organization performance is always positive. This means that strategic planning plays a huge role on organization's success, hence it was generalized that without strong strategic planning, the business's success will stay limited.

The main specific benefits from the strategic planning can be defined in the following points: set achievable measuring milestones to the performance, improve the communication process, inspire teamwork, and make a sense of pride (ICthrive 2016). This could be the most specific advantage to the strategic planning in the construction industry, and it is very important to have an achievable measuring milestone for the company that will motivate and inspires teamwork, measure the level of performance, and evaluates priorities.

STRATEGIC PLANNING PROCESS

The strategic planning process is the process that is followed to direct the vision and show how the company will go through the mission and implement of strategy to achieve the goals and objectives of the company (Taylor 2015). The strategic planning process is a comprehensive process to analyse the current status and implement the formulated strategy and evaluate it (Jurevicius 2013). The strategic planning life cycle starts from creating the vision until achieving the goals. The process is led by the strategic planning committee, which includes experts in strategic planning and came from all departments within the organization; and should work in an open transparent way with documentation to all information from start to finish (Rouse 2020). So it can mean the process that involves several stakeholders to make decisions about the future of the company, and documenting these decisions; and reviewing the agreed decision over time to make sure that the company is on the right direction and ready to face new changes and challenges.

The strategic planning process is an ongoing and regular process where the company's leaders or (number of them) meet to make a decision about the organization's future development and determine the required process and procedures to achieve the decided goals. It is the responsibility of the top management in the company in general, but it should have inputs from all levels of the organization and it will impact the entire organization at all levels as well (Haythem 2015). Hence, the strategic planning process can be summarize as set of consistent and sequential activities to create formal documents that summarize the future goals with the required resources to achieve it and implementing it as well.

The typical strategic planning process includes five steps as follows: Initiation assessment; analysis of the current situation, formulation of the strategy, implementation of the strategy, and monitoring (Lotich 2019). The ideal process to the construction strategic planning going to be discussed in 2.2 construction companies and strategic planning.



Figure 2: Strategic Planning Process, (Jurevicius 2013)

The above figure shows the four stages for a construction company which starts from determining the current status then developing the strategy by defining the vision and mission, then doing the plan, setting goals and the way of doing and monitoring activities to make sure that all the planned things are executed accordingly.

CONSTRUCTION COMPANIES AND STRATEGIC PLANNING

There is a clear shortage on the use of the strategic planning in the construction field and there are many expected reasons for this lack. Murphy (2012) revealed that main reason for the lack of strategic planning in the construction companies is the lack of interest of the stakeholders of these construction companies in using strategic planning tools in decision making. Strategic plans in construction companies provide transparency and clarity for the entire team and all project stakeholders Work front (2020). With this, employees with an acceptable level of flexibility will choose the best approach and opportunity to bring this strategy on the ground. Some studies also revealed that there is a great relation between strategic planning and companies success. There is this huge need for strategic plans in construction companies due to the continues changes in technology and the social needs as well. The new trend of technology like the 3D printed building is becoming a technology revolution in the world of construction. There is an increasing demand for sustainable and green building as well for majority in construction companies.

The best way to write strategies for construction companies is to follow the procedures that have been approved by Workfront (2020) which provide the following elements when implementing strategic planning: *Communication*: - failure on this would make construction projects frustrating, time-wasting, and a failure *Resource Identification*: - the resources usually money, people, and assets. The strategic plan will identify resources for each project and how and when it should be gained, so the budget will be to the project. There will be a clear expectation test from each of the team members and use the knowledge management to share the experiences and knowledge by making the old team members share their knowledge with the other team members.

Tracking Progress and Conflict Mediation: - strategic plans usually not go through the very detailed activities of the projects, but it will provide the mechanism of how the project can be followed even by an excel sheet or other special programs, and due to the very overlapped and complex activities in the project, there are need to fix rules and policies to solve the problems once it happened. *Reporting*: - to have clear following up system and know-how is your project progress, the KPIs need to be clarified to everyone in the working team, and it will be the reference to any evaluating process. the reporting point should be clear to everyone in the working team, and the reports should be according to agreed template to include the important required information.

Strategic planning in construction companies usually involves a framework of six-steps and these steps are recommended by Cherkaoui (2020) due to the benefits gained from applying it in construction companies: *Studying the Company Mission*:- in this stage the internal baseline will be established to show the company's owners expectation regarding the companies goals and expectations, usually many questions will be asked to provide the information at this stage, (what is the company and project objective, what are the company's goals and the commercial objectives as well) and this is a very critical stage that needs to be done very well because all the next stages will go through the path provided in this stage. *Examining the Business Environment of the Company*:- In this stage the economic factors will be studied to make sure that all the affecting factors are considered including the risks as well, so it will establish the external baseline, the information provided in this stage are the external factors affecting the construction business, market dynamics, attitudes and needs of the potential customer and the competitors.

Analysis of Company's Resources:- This stage will make sure that company has all the required resources to adopt the strategy, so the purchasing system, finance, marketing, HR and knowledge should be checked and make sure each is supporting the plans. This stage will identify resources that will make the company better than its competitors and the status and need of the company for innovation. The other step recommended by Cherkaoui (2020) is *Developing a Strategy*. This stage will map the possible activity and it could be based on several general strategies types and it should be adjusted carefully to match with the external and internal factors. All factors need to be studied especially the financial factors to measure the profitability as a main goal of the company. The following questions must be asked at this stage: what is the company's market and conditions that make the company better; what are the logical orders that need to be adopted; what needs to be done and how will be done.

Aligning and Executing the Strategy:- This stage will make sure that all teams, persons, sub-contractors and stakeholders all understand the entire process and everyone is willing to work hard to reach the big goals of the company. *Looking for any opportunity can lead to more success of the*

plans, in this stage, the following questions need to be asked: What are the steps that need to be taken to the next steps? Is the company having the required resources to support the actions? What are the actions that need to be completed to reach the goals? *Review, Measure, and Modify the strategy* is a very important to strategic plans and to measure the success of these plans. The purpose of this review is to learn from the successful plans or stages and to modify the unsuccessful ones.

The above points showed the stages that should be in the construction companies' strategic planning. Each stage plays an important role to make the overall plan successful. Not all companies will adopt the same process and there are many factors are affecting that stages like the company' size, culture, company age, environment, and competition.

CONCLUSION

Strategic planning is a very important practice that should be adopted in each company. It is the identification of the future path of the company and reflects the goals of the companies leaders which should be implemented on different levels within the company; the corporate level, business level, and marketing or operational level. It has generally four stages as determining the position of the company, developing strategy, building the plan, managing performance and it integrated components which need to be developed in a good way to get good results.

References

- Aguila, C. (2015). 'Strategic Planning Leadership'. ACADEMIA. [online]. available from <https://www.academia.edu/35520524/Strategic_Planning_Leadership>. 16 Apr. 2020]
- Asakereh, A. and Bharani, T. (2012) 'implementation of strategic planning in organizations. ACADEMIA. [online]. available from < https://www.academia.edu/1547009/11.Implementation_of_Strategic_Planning_in_Organizations> [17 Apr. 2020]
- Boateng, P. A., Amponsah, E. B., Akafo, V., and Yamoah, P. (2015) 'Strategic Planning Process Formality'. INTERNATIONAL KNOWLEDGE SHARING PLATFORM. [online]. available from < <https://iiste.org/Journals/index.php/EJBM/search/results>> [18 Apr. 2020]
- Cakmak, P. I., and Tas, E. (2012) 'strategic planning practices in contractors' firms in Turkey' ACADEMIA. [online]. available from < https://www.academia.edu/28733586/Strategic_Planning_Practices_of_Contractor_Firms_in_Turkey_8_th_International_Strategic_Management_Conference_Strategic_planning_practices_of_contractor_firms_in_Turkey> [17 Apr. 2020]
- Chaudhry, I. S. Ali, S. Fareed, G. and Fakher, A. (2014) 'Role of strategic planning in small business' ACADEMIA. [online]. available from < https://www.academia.edu/35333984/Role_of_Strategic_Planning_in_Small_Business_An_Overview> [17 Apr. 2020]
- Cherkaoui, H. (2020)"the importance of strategic planning in construction companies and projects". Let us build ([online]. Available from < <https://www.letsbuild.com/blog/revealed-the-importance-of-strategic-planning-in-construction-companies-and-projects>> [2 June 2020]
- DIY Committee Guide (2020) 'strategic planning'. [online]. Available from < <https://www.diycommitteeguide.org/quick/reference/strategic-planning>> [24 April 2020]
- Haythem, A. (2015) 'the role of strategic planning in performance management' ACADEMIA. [online]. available from < https://www.academia.edu/32925686/The_Role_of_Strategic_Planning_in_Performance_Management> [17 Apr. 2020]
- ICthrive, (2016) 'the 5 challenges of creating a strategic planning process'. [online]. Available from. <<https://icthrive.com/blog/the-5-challenges-of-creating-a-strategic-planning-process/>> [30 April 2020]

- Jayawarna, S. Dissanayake, R. (2019) 'Strategic Planning and Organization Performance: A Review on Conceptual and Practice Perspectives'. Archives of Business Research Vol.7, No.6. [online]. available from < <http://dx.doi.org/10.14738/abr.76.6684> > [20 Apr. 2020]
- Jurevicius, O. (2013) 'Strategic Management and Strategic Planning'. Strategic management insight. [online]. Available from < <https://strategicmanagementinsight.com/topics/strategic-management-planning.html> > [25 April 2020]
- Jurevicius, O. (2013) 'strategic management & strategic planning process'. Strategic management insight. [online]. Available from < <https://strategicmanagementinsight.com/topics/strategic-planning-process.html> > [24 April 2020]
- Karabulut, T. (2010). 'Impact of Strategic Planning on Financial Performance of Companies in Turkey'. [online]. available from < https://www.academia.edu/41662492/Impact_of_Strategic_Planning_on_Financial_Performance_of_Companies_in_Turkey > [16 Apr. 2020]
- Lotich, P. (2019) 'the 5 steps process of strategic planning'. Thriving small business. [online] available from < <https://thethrivingsmallbusiness.com/strategic-planning-process/> > [24 April 2020]
- Murphy, R. (2012) "strategic planning in construction professional service firms: a study of Irish QS practices". Technical university Dublin. [online] available from < <http://dx.doi.org/10.1080/01446193.2012.736026> > [20 June 2020]
- Stover, R. (2014) '7 simple steps in the strategic planning process'. Robert Stover. [online]. Available from < <https://www.robertstover.com/about/> > [24 April 2020]
- Taylor, A. (2015) 'what is the strategic planning process'. SME strategy. [online]. Available from < <https://www.smestrategy.net/blog/what-is-the-strategic-planning-process> > [24 April 2020]
- What is strategic planning really? (2012) YouTube video added by virtual strategist [online]. Available from < <https://youtu.be/mLJ34L5UW4E> > [20 Apr. 2020]
- Workfront (2020) "who to write strategic planning" [online]. Available from < <https://www.workfront.com/project-management/life-cycle/planning/strategic-plan> > [2 June 2020]