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The strategic management of construction companies during recessionary cycles

Peer reviewed and revised

Abstract

This article reports on the results from a study done on the strident economic times in the construction industry following the FIFA Soccer World Cup – from August 2010 to December 2012. The research was conducted among Grade GB7, GB8 and GB9 main contractors in the Eastern Cape Province, South Africa, to identify the key strategies that are able to keep construction entities in operation. The study further investigated the key elements of a successful turnaround strategy, as well as the most effective methods of implementing strategies in construction organisations. A survey among twenty-two construction companies was conducted, using a questionnaire in which a 5-point Likert scale was used to assess the opinions of the respondents.

Results from the study showed that companies tendered on more than one type of work (residential, commercial and/or industrial projects) during recessionary times, whereas they usually tendered on one type of work only. It was also noted that not only did the majority of the companies tender on different types of work (residential/commercial/industrial) during the recessionary period (2010-2012), but this was also found to be the most effective means of 'keeping their doors open'.

Construction industry companies are also advised that they should revise their short-term strategic plans on a quarterly basis, while the long-term vision should be assessed and adapted annually, whenever necessary.

Keywords: Strategic management, survival strategies, turnaround strategies

Abstrak

Hierdie artikel doen verslag oor resulte uit navorsing wat gedoen is oor swak ekonomiese toestande in die konstruksienywerheid na afloop van die FIFA 2010 Sokker Wêreldbekerkompetisie tussen Augustus 2010 en Desember 2012. Die navorsing is gedoen onder Graad GB7, GB8 en GB9 hoofkontrakteurs in die Oos-Kaap, Suid Afrika, om die belangrikste strategieë om in moeilike tye staande te bly, te identifiseer. Die doel van die navorsing was ook om die sleutelelemente van 'n omkeerstrategie te bepaal, asook die mees doeltreffende metodes om dit te implementeer. 'n Opname deur middel van 'n vraelys aan twee-en-twintig

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hoofkontrakteurs is gedoen, en hul opinies is hoofsaaklik verkry deur gebruik te maak van 'n vraelys met 'n 5-punt Likertskaal.

Die resultate van die ondersoek het aangedui dat kontrakteurs meestal op meer as een tipe werkkontrak (residensiële, kommersiële, nywerheid) getender het, in plaas van slegs die normale tipe kontrak. Behalwe dat kontrakteurs op meer as een tipe kontrak getender het, was dit ook die mees effektiewe metode om staande te bly gedurende hierdie moeilike ekonomiese tydperk (2010 tot 2012).

Konstruksiemaatskappye word gemaan om hul korttermyn-strategieë kwartaalliks, en hul langtermynvisie jaarliks te hersien, en aanpassings te maak indien nodig.

Sleutelwoorde: Strategiese bestuur, oorlewingstrategie, omkeerstrategieë

1. Introduction

A construction company is no different to any other business. By definition, a company is an organisation that looks after its own interests in generating profits from the sale of goods or services (Reverso, n.d: 1). Harris & McCaffer (2006: 2) state that the construction industry has been labelled as being inherently uncertain, due to the number of procedures required for normal projects to be concluded. Among others, the tendering process, the economic climate, profitability and physical production affected by the weather conditions have been identified as the main drivers behind this economic uncertainty (Harris & McCaffer, 2006: 2).

During the spring of 2008, the world experienced an economic recession. This was caused by, among other factors, the housing-market bubble that burst in the United States of America (SAPA, 2009: 1). According to Engineering News (2011: 1), the construction industry in South Africa was, to some extent, initially protected from this recession by the 2010 FIFA Soccer World Cup, which provided a cushioning effect in terms of a cash injection into the country, as well as jobs for contractors; these jobs were largely due to the construction of large infrastructural projects. After South Africa won the bid for the 2010 FIFA Soccer World Cup, investing organisations targeted South Africa for investment purposes during the global credit crunch, which originated during the fourth quarter of 2008. Engineering News (2013: 1) adds that the 2010 FIFA Soccer World Cup kept many construction companies open for business, due to the construction of the infrastructure, stadiums and accommodation – even though the global economic recession was at hand.

The South African construction industry's activity levels were on a decline after the completion of the FIFA Soccer World Cup, due to the completion of major projects and funding issues with other projects (SAPA, 2013: 1; Rego, 2010: 1). Steyn (2011) agrees that the construction industry's economic downturn struck after the completion of the 2010 FIFA Soccer World Cup in South Africa and states that South Africa's construction industry GDP was at its lowest in eleven years ending in April 2011. Slabbert (2010: 1) indicates that the reduction of activity levels in the construction industry has placed the construction industry under stress, and that profit margins have, subsequently, been pressurised, due to the increase in competition.

Due to the reduction in the number of projects available, competing construction companies had to formulate and implement competitive strategies, in order to remain lucrative during these strident economic times (SAPA, 2011: 1). Many construction companies fail in this regard, and find it difficult to survive during recessions.

To address the problem of how construction firms can survive during strident economic times, this article reports on an investigation to determine whether construction companies should diversify their strategies, tender on different types of projects and use time frames to implement new business strategies, in order to assist construction companies to survive during strident economic times.

2. Management of competitive companies

2.1 Environment

A competitive organisation's main focus is to increase revenues and/or to reduce its costs, in an effort to improve its performance, and generate higher levels of profit (Williams & Williams, 2007: 3). Johnson, Scholes & Whittington (2008: 54-57) are of the opinion that the essence of any profit-generating organisation's survival is based on its ability to understand the environment in which it operates. Environment influences form three series of 'layers' which help organisations with ways of coping with change, namely macro-environment; industry/sector and the competitors/markets.

The macro-environment layer – The PESTEL framework (named after political, economic, social, technological, environmental, and legal forces) was found to be the most effective in outlining the major macro-environmental factors acting on any competitive organisation These six items are also known as the 'global key drivers of change'. These will differ from sector to sector and from country to country. When the past is likely to be very different from the future, based on high levels of uncertainty regarding key environmental forces, constructing scenarios can be a useful way of understanding the implications of these influences on strategy. This could help managers consider how strategies might need to change depending on the different ways in which the business environment might change (Johnson *et al*., 2008: 54-57).

The industry or sector layer – This layer is made up of organisations producing the same products or services. The following five forces can be useful in understanding the competitive dynamics of an organisation: the threat of entry into an industry; the threat of substitutes to the industry's products or services; the power of buyers of the industry's products or services; the power of suppliers into the industry, and the extent of rivalry between competitors in the industry. Where these five forces are high, there will be too much competition and pressure for these industries to be attractive to compete in (Johnson *et al*., 2008: 59).

The competitions and markets layer – Within most industries or sectors there will be many different organisations with different characteristics and competing on different bases, some closer to a particular organisation, and others more remote. The concept of strategic groups can help identify close and more remote competitors as well as direct and indirect competitors. The success or failure of organisations also depends on how well they understand and are able to meet customers' needs. In the understanding of markets, the concept of market segments can be useful in understanding similarities and differences between groups of customers or users. It is especially important to understand what different customer groups particularly value, as these values form the critical success factors of an organisation (Johnson *et al*., 2008: 77).

2.2 Strategic management

The business environment can be defined as "the sum of variables impacting on the competitiveness, and ultimately the survival and growth of a firm" (Goldman, Maritz, Nienaber, Pretorius, Priilaid & Williams, 2010: 2). In recent years, the business setting has been characterised by an increase in competition, globalisation, rapid technological advancement, and the changing needs of consumers. Due to the high number of business variables within an organisation, the strategy of the organisation is ultimately the key in keeping the corporate ship on course, in terms of future business success.

For success to be possible, the organisation needs to continuously develop, implement, monitor and evaluate the strategy of the entity (Temtime, 2000: 1). The key in any business is not only to be in power, but also to remain in power. This is the reason why organisations need to keep re-inventing themselves. Elements beyond the control of the entity, such as changes in consumer needs and advances in technology, play a large role in the success of a business, and they are the prime reasons why having a permanent competitive advantage is so challenging, but perhaps not always possible (Cusumano, 2010: 1).

Hitt, Hoskisson, Ireland, Morgan, Reinmoeller & Volberda (2011: 7-8) state that a strategy is a co-ordinated group of decisions and commitments made by stakeholders in an organisation, whereby the organisation can exploit its key competencies to gain a competitive advantage over the remainder of the market. They continue by stating that the strategy determines what the organisation will and will not do in both the short term and the long term.

The competitive advantage of an entity comprises the implemented strategy, thereby creating a system, which competitors cannot duplicate or find too costly to implement. Even though no competitive advantage is permanent, all organisations strive to have as many competitive advantages as possible, in order to avoid losing their competitive edge in the future. This competitive advantage allows an organisation to generate above-average returns, which represent the ideal state for any profitable entity in any competitive industry. Organisations with a below-average return will invariably cease to exist, if the low return rate continues, due to investors and stakeholders withdrawing their investments from an organisation (Hitt *et al*., 2011: 7-8).

Johnson et al. (2008: 3) maintain that the strategy of an organisation is the scope and direction which the organisation chooses to adopt for the long term in order to achieve its predetermined goals. During the strategising process, the organisation needs to configure its resources and competencies, in order to meet the stakeholders' expectations.

Goldman et al. (2010: 14) maintain that various steps can be taken for the strategic management to be effective within an organisation. These steps can range from being completely formal in the principles of planned events and the use of prescribed books and models, to being informal by using elements implemented in an *ad hoc* fashion, and only when necessary. The systems and procedures required for the implementation of strategic management processess depend largely on the nature of the industry in which the organisation is operating, as well as the knowledge of higher level management techniques in the industry.

Strategic management can, therefore, be defined as any action executed to implement the corporate strategy of an organisation and any step taken in the direction of achieving one of the organisation's future goals (Groenewald, Le Roux & Rossouw, 2007: 3). Strategic management can also be described as the method in which all organisational resources are aligned, implemented and co-ordinated to work with the particular business environment (Ehlers & Lazenby, 2010: 3).

The strategic management concept differs from other managerial areas, in the sense that issues arise out of non-routine and ambiguous situations. This means that the management of specific areas with controllable variables forms a minor part of the strategic management process. However, the manager needs to have a more holistic view of all operational units, in order to take part in the development of the concept within the organisation (Johnson *et al*., 2008: 11).

2.2.1 The formulation phase

The formulation phase is also known as the planning phase, or the strategic planning process, and it involves three key tasks, namely organising, leading and control. There are three levels of management within an organisation: top, middle and operational management. Each of the levels has its own responsibilities relevant to strategic management (Groenewald *et al*., 2007: 3-4). Ehlers & Lazenby (2010: 3) agree with Groenewald *et al*. (2007: 3-4), adding that the employee force also plays a role in the strategic management process.

2.2.2 Turnaround strategies

Turnaround strategies are very common and popular in South Africa. This type of strategy is pursued when the industry, in which an organisation operates, experiences an economic downturn; the entity must then make an effort to save itself (Groenewald *et al*., 2007: 116).

Generic strategies are not functional strategies during times when an organisation's industry is in a decline. A great deal of information has been produced within the corporate strategy field, but not sufficiently to have any significant impact on the industry as a whole. During an economic decline, organisations consider alternatives in order to deal with any rapid changes in the business environment (Goldman *et al*., 2010: 55).

The turnaround situation can be defined as the moment when the organisation realises that it has to consider taking steps to adapt to an industry, which is experiencing an economic downturn. If the organisation does not accept the fact that it needs to take steps in the direction of a turnaround strategy, that entity would be sure to face failure, and possibly even cease to exist (Goldman *et al*., 2010: 56).

In the event of a turnaround situation, the organisation usually appoints a turnaround manager, or considers restructuring the higher management. In attempts to identify the key steps for the turnaround strategy, the organisation has to assess the two elements required to define a new strategy. These are the cause and the resource abundance. The cause of the decline can be used to identify those elements which need to be adjusted, in order to become more balanced with the environment again.

Once the problem has been clearly identified, various routes can be assessed as to how the resources should be used, changed, or removed completely from the entity (Goldman *et al*., 2010: 56).

When declines in profit margins are anticipated, the organisation has the following options available (Groenewald *et al*., 2007: 116):

- Cost reduction:
  - Retrenchment of staff.
  - Leasing, rather than purchasing equipment.
  - Dropping low profit items off the production line.
  - Discontinuing low profit customers.
- Asset reduction:
  - The sale of land, buildings and equipment that is not necessary for pursuing the organisation's core business.
- Revenue generation:
  - This can be done by reviewing debtor and stock turn over ratios.

Goldman *et al*. (2010: 57-58) explain three instances that are relevant when a turnaround situation is imminent:

- Strategic distress: Instances where the organisation in question is performing well, but then loses its competitive advantage within the industry. The symptoms of strategic distress are the loss of sales, where the market share has been stable. A sudden change in the level of demand, or a high investment in inventory growth could also cause strategic distress.
- Underperformance: The organisation experiences a good demand for its products, but as a whole it is not performing as effectively as it should. The organisation becomes cash-strapped, due to low outputs by the employees, and the competitive advantage that is put under strain as a result of this. The use of outdated systems could also cause such underperformance.

- Strategic crisis: The entity is facing a crisis due to the scarcity of resources to be used in the direction of outputs; a last-resort strategy needs to be implemented as soon as possible.

2.2.3 The implementation phase

Johnson *et al*. (2008: 54-57) are of the opinion that the implementation phase needs to be developed and executed by every individual within an organisation; in doing so, all the employees develop a sense of belonging and increased levels of motivation. They also state that: "Strategic management does not belong only to an elite group at the top of an organization". The best way of survival is to adapt effectively to a changing world. After the achievement of the strategy in the short and long term, the organisation needs to implement the plans as quickly and as effectively as possible. In succeeding in this, the organisation would then have a better prospect of leading the pack and remaining competitive (Cusumano, 2010: 10).

The three levels of management have various roles to play in the successful implementation of a new strategy within an organisation:

- The executive management level needs to make the required changes, in order for the new strategy to be effective. These changes may include changes within the organisational structure, the leadership style, systems, staff or organisational culture.
- Tactical management, which includes senior and middle management, must ensure that strategic goals are implemented within the tactical and operational levels of management.
- Operational management needs to ensure that the tactical strategies are transformed into action plans, and then implemented appropriately (Groenewald *et al*., 2007: 150).

Even though the corporate strategy is mainly developed by top-level management, it is up to the tactical and operational management levels to implement the strategies, and to work towards the new goals, which have been set. The lengthy plans and visions set by executive management are meaningless until they have been implemented properly. This is the reason why the implementation phase and the plans remain so critical. These processes need to be monitored, in order to evaluate the efficiency of the new systems (Groenewald *et al*., 2007: 149).

3. Research methodology

This article presents part of the findings of a research project on the strategic management of construction companies during recessionary periods, using a descriptive quantitative research approach. First, a literature review of the existing theory focused mainly on turnaround strategies in recessionary times. Primary data was obtained by distributing a structured questionnaire among three groups of main contracting firms listed as 'small contractors', 'medium-sized contractors' and 'large contractors'. The three groups of contractors were listed as GB7, GB8 and GB9 main contracting firms. These correlate with the Construction Industry Development Board (cidb) project-size capability ratings (Construction Industry Development Regulations, 2008: 18).

This quantitative method of research involves ordinal scales analysed *via* non-parametric statistical tests, by using the mean scores, as advocated by Jamieson (2004: 1217). Some closed-ended questions requested respondents to answer by making use of 'Yes' or 'No' answers. A structured questionnaire was administered to the study sample, along with a covering letter. The covering letter stated the purpose of the research and guaranteed that the information given by the respondents would be treated as confidential, and that no names would be mentioned in the research. The survey results were stored on a Microsoft Excel worksheet for analysis, and the information was gathered in order to determine the following:

- Diversification strategies, which kept construction-company doors open between 2010 and 2012;
- Turnaround strategies to survive, when there is a low level of construction industry activity;
- Key elements of an implementation strategy in construction companies, and
- The effectiveness of the survival strategies.

Questionnaires were completed anonymously to ensure a true reflection of the respondents' views, and to meet the ethical criterion of confidentiality. It was assumed that the respondents were sincere in their responses, as they were assured of their anonymity.

The population sample, located in the Eastern Cape Province, specifically East London and Nelson Mandela Bay, consisted of contracting firms. From the 34 main contracting firms initially invited, 22 responded. This represents a response rate of 61% and is deemed to be a representative response rate. Leedy & Ormrod (2005: 193) describe a response rate of 50% as acceptable for a study of this nature.

The response rates for the contractor groups were: GB7 contractors, 61%; GB8 contractors, 58%, and GB9 contractors, 67%. Further analysis showed that the main contracting firms based in East London had a higher response rate, reflecting their willingness to be involved in the research. A total of 92% of the contractors located in East London participated in the study, compared to 56% of the contractors who were based in Port Elizabeth.

Although this research was conducted among construction companies in the Eastern Cape Province, there is no reason to believe that it would be any different in other provinces, although this issue is recommended as an opportunity for further research.

3.1 Analysis and interpretation

A 5-point Likert scale was used to obtain the opinions of the respondents, and to analyse the results of the survey. Leedy & Ormrod (2005: 185) maintain that Likert scales are effective when behaviours and characteristics are evaluated in a study. They can be used when a phenomenon is quite complex, and where numbers can be used to quantify the results. Wegner (2012: 11) agrees, adding that Likert scales can be used to measure a sample's attitudes, preferences, and even perceptions. They can be used for the study of interval data; respondents are requested to indicate how strongly they feel regarding the statements or questions. Dawes (2008: 75) states that either 5-, 7- or 10-point scales are all comparable for analytical tools such as confirmatory factor analysis or structural equation models. For the purpose of analysis and interpretation, the following terminology was used regarding mean scores: 'strongly disagree' (≥1.0 & ≤1.8); 'disagree' (>1.8 & ≤2.6); 'neutral' (>2.6 & ≤3.4); 'agree' (>3.4 & ≤4.2) and 'strongly agree' (>4.2 & ≤5.0).

When using Likert-type scales, it is imperative to calculate and report Cronbach's *alpha* coefficient for internal consistency reliability for any scales or subscales used (Gliem & Gliem, 2003: 88). Reliability is the extent to which a measuring instrument is repeatable and consistent (Maree & Pietersen, 2007: 214).

For this article, the internal reliability of variables was tested using Cronbach's *alpha* coefficient of reliability. Maree & Pietersen (2007: 216) suggest the following guidelines for the interpretation of Cronbach's *alpha* coefficient: 0.90 – high reliability; 0.80 – moderate reliability, and 0.70 – low reliability. Cronbach's *alpha* coefficient of reliability (Nunally, 1979: 85) was determined for each of the scale scores derived from the grouped items, as indicated in Tables 2 and 3.

The item/reliability analysis was performed on the items of the sections dealing with Effectiveness and Key elements. Due to small item-total correlations and improved *alpha* if an item was omitted, items 3 and 4 of the Effectiveness items and item 6 of the Key elements items were omitted in order to obtain acceptable *alpha* values (i.e., *alpha*>0.60).

4. Results and discussion

The average working experience of the respondents was 19 years in the construction industry. A high average experience rate indicates a high level of expertise and the respondents' necessary experience and knowledge to provide reliable information.

Although the full research report includes a breakdown of the opinions of GB7, GB8 and GB9 contractors, only the results of the combined groups of contractors are included in this article. However, the opinions of the different groups are also briefly described.

4.1 Diversification strategies

The respondents were requested to state whether they had implemented any of the listed diversification strategies between 2010 and 2012, by stating 'Yes' or 'No'. It should be noted that some companies had made use of more than one strategy.

Table 1: Diversification strategies

#	*Diversification strategy*	*Using strategy*		*Total*
		Yes %	*No %*	
1	Tendering on different types of work, i.e., residential/commercial/industrial	72.7	27.3	100
2	Entering into contract with other main contracting firms, i.e., joint ventures	54.5	45.5	100
3	Buying into firms that do work, which complements your organisation, such as subcontractors and suppliers	45.5	54.5	100
4	Tendering in foreign areas	41.9	58.1	100
5	Buying into businesses that do not have any link to your core construction business	22.7	77.3	100
6	Buying into other companies that do the same work as your company	9.1	90.9	100

It is evident from Table 1 that the majority of the respondent companies (72.7%) tendered on more than one type of work (for example, residential, commercial and/or industrial projects), whereas they normally tendered on one type of work only. Slightly more than half of the respondent companies (54.5%) entered into contracts with other main contracting firms, i.e., joint ventures. Slightly less than half of the respondent companies (45.5%) indicated that they were buying into firms that do work, complementing their organisation (subcontractors and suppliers). Only 9.1% of the companies bought into other companies that do the same work as their company, i.e., merging with another company.

These results indicate that tendering on different types of work was the most used strategy by the majority of the construction companies. They would rather work on different types of work than revert to using any other strategy. The results, therefore, show that construction companies should diversify their strategies in order to assist them to survive during strident economic times.

4.2 The effectiveness of survival strategies

It is crucial that new strategies should be effective when implemented. Respondents were requested to state to what extent they agreed that the listed survival strategies were effective in 'keeping the doors open', where 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree, and 6=unsure.

The results indicate that the average mean score (MS) of 2.86 for the 'effectiveness of survival strategies', which is on the lower end of the scale (i.e. <3.00), means that respondents were generally 'neutral' regarding the effectiveness of the survival strategies.

The results also indicate that the most effective survival strategy used by construction companies is tendering on different types of work (e.g., residential/commercial/ industrial) (MS=3.77); as many as 31.8% of the respondents 'strongly agreed', and 40.9% 'agreed' that it is effective. Buying into firms that do work, complementing their organisation, such as subcontractors and suppliers (MS=3.09), was ranked second highest ('neutral'). Entering into contracts with other main contracting firms, i.e., joint ventures, and tendering in foreign areas were equally ranked third (MS=3.05), indicating that respondents were 'neutral' regarding the effectiveness of this strategy.

The respondents 'disagreed' that buying into businesses that do not have any link to the company's core construction business (MS=2.45), and buying into other companies that do the same work as their own company (MS=2.14) were ranked 4th and 5th as being effective, respectively.

Table 2: The effectiveness of survival strategies

#	Survival strategy	Valid N	1	2	3	4	5	6	Total	Mean score	Rank
			SD	D	N	A	SA	U			
			%	%	%	%	%	%			
1	Tendering on different types of work, i.e., residential/ commercial/ industrial	22	4.55	18.18	4.55	40.90	31.81	0.00	100	3.77	1
2	Buying into firms that do work, thus complementing your organisation, such as subcontractors and suppliers	22	13.63	31.82	9.09	22.73	22.73	0.00	100	3.09	2
3	Entering into contract with other main contracting firms, i.e., joint ventures	22	22.73	22.73	0.00	36.36	18.18	0.00	100	3.05	3=
4	Tendering in foreign areas	22	9.09	40.90	9.09	19.18	22.72	0.00	100	3.05	3=
5	Buying into businesses that do not have any link to your core construction business	22	18.18	50.00	9.09	13.63	9.09	0.00	100	2.45	5
6	Buying into other companies that do the same work as your company	22	22.73	50.00	13.63	4.55	4.55	0.00	100	2.14	6
Average										2.86	

Cronbach's *alpha*: 0.62 (acceptable)
Standard deviation: 0.84

It is notable from Tables 1 and 2 that not only did the majority of the companies tender on different types of work, i.e., residential/ commercial/industrial during the recessionary period (2010-2012), but this option was also found to be the most effective means of ‘keeping their doors open’. The results show that tendering on different types of projects is a solution to help construction companies survive during strident economic times.

Further analysis showed that GB7 and GB8 contractors regarded tendering on more than one type of project as being the most effective, whereas GB9 contractors considered tendering in foreign areas as being the most effective.

4.3 Turnaround strategies

The respondents were requested to state whether they implemented any of the listed turnaround strategies between 2010 and 2012 when there was a low level of activity in the construction industry, by stating ‘Yes’ or ’No’. It should be noted that some companies made use of more than one strategy.

The turnaround strategies included the following:

- Strategic realignment of resources;
- Profit-margin lowering;
- Boosting turnover, rather than focusing on high profit levels;
- Retrenchment, and
- Selling plant and land not required for core work.

Figure 1 shows the percentage ‘Yes’ and ’No’ responses to the various turnaround strategies used.

The findings indicate that 86% of the respondent companies strategically re-aligned their resources; 82% of the companies lowered their profit margins; almost 70% of the respondents opted to boost their turnover rather than to focus on high profit levels; 41% of the companies retrenched some of their staff members, and 36% indicated that they sold plant and land that was not required for core work.

The three most used turnaround strategies involved merely a change of strategy (without necessarily getting rid of human resources, and or plant/land), whereas the two least implemented strategies required companies to do this. Such course of action may prove to be disastrous in booming times.

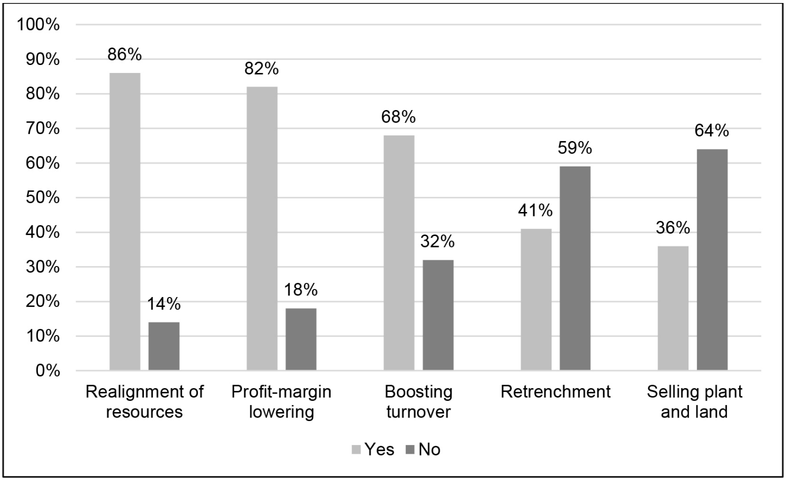

Figure 1: Turnaround strategies

4.4 Key elements of an implementation strategy

When new strategies are implemented within an organisation, it is imperative that certain steps be taken and certain elements included, in order to ensure a smooth and effective implementation. If not, this could result in a negative impact on the effectiveness of the new strategy.

The respondents were requested to state to what extent they agreed that the listed elements were necessary, in order to ensure an effective implementation of any new strategy within the organisation (where 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree, and 6=unsure.) Table 3 shows to what extent respondents agreed that the listed elements are part of an implementation strategy for construction companies.

The average MS of the 'Key elements score' is fairly high (4.00) on the scale. This means that respondents generally 'agree' with the key elements of an implementation strategy within construction companies.

The results in Table 3 show that the respondents 'strongly agreed' that time frames should be given for the implementation of a new strategy (MS=4.64), and they 'agreed' that step-by-step guidance should be given to employees during the implementation process of a new strategy. Employees are frequently unfamiliar with new strategies; therefore, they should be guided to ensure that these new strategies are effective when implemented.

Respondents also ‘agreed’ that the strategy should be broken down into action plans for each role player prior to the implementation of the new strategy (MS=4.09), thereby indicating that a new strategy should not merely be a strategy ‘on paper’, but should have action plans in place to ensure that it is actually implemented. Furthermore, they ‘agreed’ that employees should be invited to take part in the design process of a new strategy (MS=3.68), and that workshops should be held during the implementation process of a new strategy (MS=3.48). This is in-line with the need for step-by-step guidance, as stated earlier. The results show that the use of time frames to implement new business strategies will help construction companies survive during strident economic times.

Respondents were ’neutral’ regarding whether incentive schemes should be introduced when implementing new strategies (MS=3.05); this finding could be interpreted as it being unnecessary to provide incentives.

Further analysis indicated that GB7, GB8 and GB9 contractors individually also ranked ‘time frames’ as being the most important (rank 1st). GB7 contractors ranked ‘step-by-step guidance to be given to employees during the implementation process’ as the second highest; GB8 contractors ranked ‘the strategy should be broken down into action plans for each role player prior to the implementation of the new strategy’, as being the second highest priority, and GB9 contractors ranked the necessity of ‘holding workshops during the implementation process of a new strategy’ as the second highest priority.

The GB7 and GB9 contractors ranked ‘the strategy should be broken down into action plans for each role player prior to the implementation of the new strategy’ as being the third highest, and GB8 contractors ranked ‘step-by-step guidance to be given to employees during the implementation process’ as the third highest priority.

Table 3: Key elements of an implementation strategy in construction companies

#	*Implementation element*	*Valid N*	*1*	*2*	*3*	*4*	*5*	*6*	*Total*	*Mean score*	*Rank*
			SD	*D*	*N*	*A*	*SA*	*U*			
			%	%	%	%	%	%			
1	Time frames should be given for the implementation of a new strategy	22	0.00	0.00	0.00	36.36	63.64	0.00	100	4.64	1
2	Step-by-step guidance should be given to employees during the implementation process of a new strategy	22	0.00	0.00	9.09	68.18	22.73	0.00	100	4.14	2
3	The strategy should be broken down into action plans for each role player prior to the implementation of the new strategy	22	0.00	0.00	4.55	81.82	13.63	0.00	100	4.09	3
4	Employees should be invited to take part in the design process of a new strategy	22	0.00	22.73	9.09	45.45	22.73	0.00	100	3.68	4
5	Workshops should be held during the implementation process of a new strategy	22	0.00	22.73	18.18	40.90	13.63	4.55	100	3.48	5
6	Incentive schemes should be introduced when implementing new strategies	22	13.63	22.73	13.63	45.45	4.55	0.00	100	3.05	6
	Average									4.00	
Cronbach's *alpha*: 0.67 (acceptable)											
Standard deviation: 0.51											

5. Conclusions

The literature revealed that many construction organisations encountered difficulties with profitability in the construction industry between August 2010 and December 2012.

The results showed that the majority of the respondent companies tendered on more than one type of work (residential, commercial and/or industrial projects) during recessionary times, whereas they normally tendered on one type of work only. It was also noted that not only did the majority of the companies tender on different types of work, i.e., residential/commercial/industrial during the recessionary period (2010-2012), but this was also found to be the most effective means of keeping the construction company viable. However, respondents were of the opinion that buying into businesses that do not have any link to the company's core construction business, and buying into other companies that do the same work as their company, were the least effective means of surviving.

In terms of turnaround strategies, it was found that the majority of the companies strategically re-aligned their resources, lowered their profit margins, or opted to boost their turnover rather than to continue focusing on high levels of profit during recessionary times. During the implementation process of a new strategy, it is very important that time frames be given for the implementation of any new strategy, and that step-by-step guidance be given to the employees of a construction company.

In conclusion, based on the results, construction companies could diversify their strategies, tender on different types of projects, and use time frames to implement new business strategies in order to help them survive during strident economic times.

6. Recommendations

Construction companies are advised to diversify their work during recessionary times by tendering on different types of work, or even buying into firms that do work which complements their company (for example, subcontractors and suppliers of building material). Other possibilities include going into joint ventures or tendering for work in foreign countries. Construction companies should avoid buying into other companies that do the same type of work as their own company.

Companies should also strategically re-align their resources when there is a low level of construction activity, and even lower their profit margins. When new strategies are implemented, it is very important that time frames be given for the implementation of the new strategy to ensure that employees are guided throughout the implementation thereof. During the implementation of these strategies, emphasis should be placed on the deadline when the new strategy needs to be fully operational, as well as step-by-step guidance sessions to ensure that the new systems are fully operational and remain fully functional. These sessions need to mobilise all the relevant members of staff into their new roles and responsibilities, in order to fulfil the new strategy of the organisation.

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