Strategy work in a large construction company: personified strategies as drivers for change

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STRATEGY WORK IN A LARGE CONSTRUCTION COMPANY: PERSONIFIED STRATEGIES AS DRIVERS FOR CHANGE

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ABSTRACT:
Strategizing can be seen as a balancing act between aggregating knowledge and experiences from an organization’s past business cycles and forecasting future possibilities over a longer period of time. Yet knowledge about strategizing over business cycles and in rapidly changing market conditions in the construction sector is scarce. This paper takes a micro perspective on strategizing and examines individual narratives of change processes to identify driving factors. The empirical data is part of an ongoing longitudinal case study in a large construction company on strategizing over business cycles from 1990 until today. The study comprises in-depth interviews with 14 key actors and a wide range of documentation covering the period. The Strategy-as-Practice perspective serves well as a retrospective description of strategizing over time; understanding the dynamics that underlie the various strategic changes is a matter of understanding what the strategists have done. The paper shows that strategy processes mainly are related to a few individuals (mostly the CEO’s), rather than to the activities or rationale behind them. This paper contributes a novel perspective on the strategy literature in construction by emphasizing personified strategies as drivers for change. We argue that personified strategies are an intra-organizational phenomenon related to power distribution, governance, and the tensions between individual agency and the institutionalized context.

KEYWORDS: diachronic perspective, strategy as practice, personified strategies

INTRODUCTION

Corporate strategies are context-dependent and forward-looking conceptions, formulated by a given configuration of actors, at a specific time, under particular socio-economic conditions. As such strategizing can be seen as a balancing act between aggregating knowledge and experiences from an organization’s past business cycles and forecasting future possibilities over a longer period of time. A company’s strategizing impacts its efficiency, innovativeness, competence development, customer focus, environmental sustainability and its work processes. Yet knowledge about strategizing over business cycles and in rapidly changing market conditions in the construction sector seems to be scarce. Research within the strategy field has predominantly focused on a single strategizing cycle (Kaplan et al., 2008), steady-state conditions (Eisenstatt et al., 2008), dramatic change (Christensen et al., 2003), or the importance of employee involvement for implementation (Björnström, 2007). However, studying strategy from a diachronic perspective would help us understand how organizations use strategy to manage their history – their past, present and future.

The construction industry is an important player in the Swedish economy and on the labour market. However, it has been criticized for low productivity, lack of innovation, negative
environmental impact and its large percentage of errors and waste (Lutz & Gabrielsson, 2002). These problems may in part come from the industry’s difficulty to leverage knowledge and to develop and foster its unique competencies, which in turn may be explained by a lack of integration of human-resource and knowledge management at the strategic level (Björnström, 2007). There seems to be a lack of awareness among strategists of the interdependencies between strategizing and its operational implications over business cycles. This is probably related to a strong tendency to focus on functional strategies, resulting in efforts being concentrated to a single, short-term objective such as project costs. However, the world in which we live is changing rapidly, driven by globalization, internationalization and technological advances. To maintain an edge in a changing market, construction companies must continuously cultivate and develop their competences and intellectual capital. The need for improvements has induced new subjects on the agendas: including for example the pursuit of a more efficient building process, increased safety for the workers, ethical code of conducts, and sustainable development. Such initiatives force management in construction to administer their organization based on more standardized ways of work and this is often accompanied by a more centralized organizational structure (e.g., Zábojník, 2002).

All these issues pose challenges for practitioners as well as researchers. To propose viable models and solutions, researchers “need to get close to the sense-making of key organizational actors and appreciate the world from their point of view” (Johnson et al., 2008). Over the last decade Strategy-as-Practice has grown as a distinctive field of strategy-management study (e.g. Whittington 2006; Jarzabkowski et al 2007). Strategy-as-Practice focuses on strategizing as situated, social practice constructed through interactions of multiple actors embedded in institutional contexts. The foundation of Strategy-as-Practice is to highlight the micro-actions by which human actors, the strategists, create strategic outcomes; strategy is not something that an organization has, it is something that the “strategists” do. (Whittington, 2004; Jarzabkowski et al., 2007; Jarzabkowski et al., 2008; Gerry Johnson et al., 2007; Whittington, 2007).

This paper takes a micro perspective on strategizing by examining individual narratives of change processes, and draws on a Strategy-as-Practice perspective to support the argument that strategy processes are often associated with individuals (mostly the CEO’s), rather than with the activities or rationale behind them. This paper contributes a novel perspective on the strategy literature in construction: it shows how many of the major changes implemented in the studied construction company can be viewed as personified strategies.

DATA COLLECTION AND ANALYSIS

The empirical data is part of an ongoing longitudinal case study at Alpha, on strategizing over business cycles from 1990 to date. In-depth interviews with 14 upper-level managers were carried out during 2010; 11 out of the 14 interviewed managers had been working at Alpha for 15 years or more. This part of the study has applied an explorative and interpretative approach.

During the interviews, lasting between 1-2 hours, the respondents were asked to give their retrospective accounts of major changes over time, from 1990 to the present, through an undirected story-telling. Interviews were conducted until no (or little) new information was provided from yet another interview. The managers’ unified view that emerged account for the concern: the managers’ stories appeared to be overall consistent, albeit from different perspectives. Complementary to interviews, a wide range of documentation (company
specific as well as media and judicial documentation) covering the period have been analyzed in order to identify phenomena that have had a bearing on strategic action over time and that documented most of the changes that the managers highlighted. All the interviews were transcribed. In a first phase these transcriptions were reviewed, without any pre-determined propositions and with no particular codification technique; at this stage we wanted the data to “speak to us”. From these readings a pattern gradually emerged. A content analysis was carried out, resulting in a list of key words sorted into categories. The salient feature of these interviews was their repeated references to persons rather than events or objects. In the following we have aggregated the narratives to render an account of Alpha’s trajectory as perceived by the interviews.

The first part depicts the overall change over the studied period: how Alpha transformed into a more centralized organization. The second part presents two perspectives of the way in which managers related changes to persons.

THE STORY OF ALPHA

Alpha is one of the largest domestic contractors within building and civil construction as well as services related to road construction and civil engineering. This story takes its point of departure in the early 1990s. The Swedish recession at this time seriously impacted the construction sector, e.g. by forcing them to review their operations to adapt to a more competitive market with lower profit margins and shorter construction times.

From a decentralized towards a centralized organization
Throughout the 90s Alpha was divided into a number of geographical units, with the company slogan: “we build everything, everywhere”. The different units were operated by their respective managers and controlled by very few common strategic overall guidelines; as long as each manager managed to deliver profit for the unit, few questions were asked from Alpha’s board of directors. The company could be described as a conglomerate of autonomous companies, as expressed by two of the interviewees (underlining indicates speaker emphasis):

The different divisions worked very, very independently. Each division manager had his own management team and staff, and focused very much on its own business. When the managers met, they cared for their own interests, their own divisions [E. E.].

There were autonomous units. We had some kind of board of course, but with limited impact. [...] There was a fear to introduce common ways of working [H. H.].

During the 90s, top management realized that the potential of this company setting had reached its upper boundaries; in order to be competitive the different geographical units needed to collaborate. Based on these rationalities, top management formulated a number of new goals: to generate predictable profitability; to decrease marginal costs; to implement codes of conduct; and, to increase overall efficiency. One concrete example initiated in the early 90s was the “X-program” that aimed to shorten production times at a lower cost with fewer defects in the final inspections.

[The X-program] was a vital project. It initiated something important, that is, to work with plans which we had never done before. So it was a fundamental driving force to start a process of developing a structured way of working. It contributed to an awareness that we needed to improve [H. H.].
These goals were to be achieved by capitalizing on the potentials of scale; the building process should be more standardized, purchasing done by a centralized unit and the indigenous knowledge should be collected and fed back.

In the early 90s there was not much business planning or strategizing. The X-program was a pure efficiency program. [...] ‘A way of working’ was introduced in the mid 90s, which was a milestone for the company. This initiative came from one geographical unit, and then the whole company adapted the ideas. All best practice examples in the company were collected and documented – that became ‘Alpha’s Way of Working’ [E. E.].

Moreover, during the 90s, pressure from the market grew regarding ethical conduct and environmental concerns. Accordingly, “soft issues” gained the attention of the CEO. As exemplified by the following quotes, the opinions diverge whether or not this was a change of direction for the company or not:

It was something special when [CEO] P. introduced soft parameters. Our [Code of conduct] was unique for our branch, and all of a sudden we started to speak about how to be open-minded, honest and to listen. [The CEO] P. was tough and dared to drive these issues, because many in the organization were very skeptical. But today, it is a natural part of work. [...] The [Code of conduct] was a milestone” [E. E.].

Our Code of conduct is just a policy document: this is how we view our external environment, and how we want the external environment to see us [H. H.].

In my world the Code of conduct was a ‘quick fix’, and I cannot understand why it has got so much attention. [...] It could be described as a list of goals for us as an organization [I. L.].

In 2003, a major re-organization of the company took place which coincided with a change of CEO. When CEO W. entered the scene, he did away with a whole hierarchal level, in order for the central units to come closer to the building projects. This was experienced by several of the interviewees as a breakpoint. At the same time, new corporate strategies were formulated, and in 2004 the official launch of a performance measurement tool took place. The CEO himself presented the tool at an annual management meeting where all upper and lower managers were gathered.

The fact that a whole hierarchal level was removed, that was a big deal [I. L.].

When we formulated our business plan 2003 we got a lot of criticism for having too many initiatives at the same time. The [Alpha’s measurement tool] was launched and we started to measure and follow up our business. This was a great water spread [H. H.].

[CEO] W. introduced transparency, to measure and follow up competitions. Everybody was measured, and nobody wanted to be the loser. It was an extreme competition between all units, and that was something new [E. E.].

Moreover, during the last decade there was also an increased focus on industrial construction as well as purchasing issues. Due to increased costs the company was forced to act;

It was quite obvious at the time; purchasing and industrialization. And it was [CEO] W. who put them on the agenda [I. L.].

In the latter half of the 00s, and when CEO C. took over from CEO W., the market and the customers were brought into the limelight. As expressed by one of the managers, the company moved from being introvert, i.e. focusing on internal efficiency, to a more extrovert company, i.e. focusing on external factors;
[CEO] W. never talked about customers and market issues, he only talked about internal efficiency. But now we have started to talk about ‘extrovert’ issues. Well, I don’t think it is such a big change in what we actually do, but at least we talk about it” [I. L.].

But despite these changes the business managers at Alpha did not experience a satisfactory implementation of the formulated plans, and 2009 Alpha underwent another major organizational makeover; support functions including HR, economy, and business support were moved from the geographic units to form one overall support unit.

The interviewed managers all seem to agree that the major changes that Alpha has undergone during the last two decades have been in the best interest of the company, at least in theory. In order to support these changes Alpha needed not only a different organizational structure, but new organizational roles. The managers’ opinions regarding the changes that were initiated during the 90s often concerned the challenge of changing the attitudes of the managers, who had run the geographical units with a free hand during the 90s, to accept the new constraints and delimited leadership role in a centralized Alpha. One manager described the situation in the beginning of the 00s when Alpha already had taken a number of steps towards centralizing the organization:

"...during [CEO] E’s time the management team was like a committee with different interests. There existed some sort of underlying understanding that the less they decided collectively, the more influence they would have over their own operations [X. X.]."

**Individual agency: turning ‘handymen’ into ‘specialists’**

Traditionally, in most cases managers at different organizational levels at Alpha have been recruited internally and the vast majority of the interviewed managers have therefore experienced all the mentioned changes. The interviewees kept repeating that there was a challenge to make the managers align with the centralized organization and use the standardized ways of working when operating in their units of responsibility. Opinions expressed in relation to this were that the responsibility distribution has now become somewhat unclear in the centralized organization:

"The [2009] re-organization has led to a somewhat vague responsibility distribution, meaning that ‘if I don’t act, at least I haven’t done anything wrong’. This leads to a kind of ‘no action’ [...] We are moving from a simple world to a more complex one, and consequently more intelligent control system is needed. However, I do not think that Alpha has chosen the easiest solution [I. L.]."

Such views might be rather natural consequences in an organization going from less control to more control. Vibes of ‘the happy times back then’ were worded:

"Yes, we play to win, but [nowadays] we play a pretty boring game [laughter] [M. Y.]."

Or:

"We lost a few to Beta² a couple of years ago, and I guess it was those that felt it wasn’t as free at Alpha anymore, and that was only right. We shouldn’t keep those who want to be ‘handymen’ if we want to attain our new strategy [K. K., regarding the overall change from the 90s up to now]."

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² Beta is the name of one of Alpha’s main domestic competitors
The managers also described their constant effort to increase the ‘team spirit’ at Alpha: during the 90s individuals had been very much in focus:

These unit managers [of the 90s] were really Alpha’s strongmen [X. C.].

However, Alpha’s ‘strongmen’ seem to be re-emerging, albeit in different roles, as was alluded to in most interviews. Below, the importance of the individual agency symbolized by the metaphor ‘strongmen’ will be exemplified from two different perspectives: epochs and strategy processes as one manager’s decision.

**Relating change to persons: two different perspectives.**

**Epochs**

A common feature in all the interviews was the strong focus on Alpha’s leaders, or ‘strongmen’ and the epochs that were ascribed to them. The latter were alluded to as leader-epochs. As described above, Alpha has undergone a number of structural and strategic changes during the last two decades which were often described in similar terms,

That would have to be when Mr. E was CEO if I remember correctly [Y. F. regarding a certain strategy that Alpha had during a certain time].

That disappeared when...what was his name...Mr. P. became CEO [W. W. regarding the fact that the basis for the product divisions changed at some point].

These examples show how several of the interviewees related a certain strategic plan or an organizational structure to a particular CEO. The following example elucidates the same pattern, even when asking them closed questions.

*Interviewer: “Was the organization structured on the basis of products or geography then?”*

Products. It was on the basis of products back in 97. Alpha was basically divided into two parts back then; one part was Alpha Building and the other was Alpha Civil and then different divisions within these. That particular structure was between 97 and 98 and it was with Mr. G. as the manager... Mr. G. took the Civil-part in Sweden and Mr. P. took the Building-part...or...did he really take the building-part? Maybe it was Mr. C. that took the Building-part as well? I think it was Mr. C. And then in 98, Mr. P. became the CEO for the whole Alpha Sweden [X. C.].

Here is another example;

*Interviewer: “How often do you have your regional manager meetings?”*  

It has been more frequent. [CEO] W. introduced, he was the one that started to focus on the regions and it was then...Well, he started to have these regional manager meetings [Y. F.].

The managers expressed themselves in this manner during the interviews, and it was not only in the descriptions of certain time epochs or specific events that the managers seemed to relate to the company leaders; even their personal experiences seemed to be related to Alpha’s leaders. The next example is from a conversation regarding one of the Alpha’s company archive. A manager was asked what kind of documents this archive contains, and the manager in question delivered a rather informed answer.

I have been there actually. I was there with the management team, when Mr. W. was CEO and we stayed there a whole afternoon and had the opportunity to go through a lot of old magazines and articles. It was very interesting [E. E.].
**Strategy processes as a leader’s decision**

One part of this study focused on Alpha’s procedures for developing a new strategy and the main driving forces behind strategy changes. It was rather surprising that none of the interviewees talked of strategy work as a process; rather, strategy was seen as “belonging” to the CEO. He (all of the CEOs have been men) is seen as “owning” the strategic decision, i.e. as personified action.

The first example below is from a section when one of the managers described a major strategy reform and organizational makeover that Alpha carried out in the beginning of the 00s.

> When Mr. W. was appointed CEO he wanted to remove this whole hierarchal level. **He thought there was just too much management staff** [E. E.].

Some more examples where the managers refer to strategic decisions as owned by a leader:

> *It was the idea of [CEO] E. who believed that we should come closer to our customers by having geographical divisions* [I. L.].

> [CEO] E. split up the product divisions and made geographical divisions instead [E. E.].

> *Our [Code of conduct] was [CEO] P.’s idea. He was an ‘ethical man’. He took that initiative; otherwise it would never have happened* [H. H.].

One of the managers captured the role of the leaders with the following clauses; “...and then we changed CEO, and he wanted it in another way”. Several of the managers referred to individual agency in combination with ‘a sense of urgency’ as the main driving forces behind strategic changes at Alpha.

> *The individuals are strong forces [for changes], but it is also a matter of trends* [H. H.].

> *It is more about the individuals who drive the changes. The format is not that important. [...] I think it is a combination of these two; a sense of urgency and the right man at the right place* [I. L.].

However, this notion of leaders as central figures in relation to company epochs, strategy work, and personal experiences is contradicted by one of the interviewed managers. This manager did not mention any of Alpha’s leaders throughout his long narrative, but instead consistently describes epochs, strategy work, and overall changes as devoid of personal agency. He had however worked for Alpha a considerably shorter time (approx. ten years) than the most of the other managers interviewed and had therefore not experienced the 90s when the ‘handymen/strongmen’ operated the different geographical units. When we asked him about the roles played by the leaders, he confirmed their centrality. The next example is extracted from a section in which he then is talking about W.:

> *This work with ‘developing a more efficient building process’ and ‘increasing the overall performance at Alpha’ was [Mr. W.’s] baby. That was when I worked with the [Alpha’s measurement tool]...because he was the father of that project* [R. S.].

As mentioned above, the vast majority of the interviewees had worked for Alpha for more than 15 years and they had been recruited internally; a tradition that is common for the construction industry. Two of the managers were exceptions and had other backgrounds; they were not fostered in Alpha’s building projects, but were recruited straight into an upper-level manager position. The few contradictions to relating change to persons (mostly the CEOs)
came from these three managers; the one that didn’t work for Alpha during the 90’s, and the two that were recruited externally. All three of them did however support this indication, when we asked them specific questions about it. One of them said:

So, I was very into the idea of ‘the insignificance of single individuals’, but I really had to revise this perception when I started to work for Alpha. ... These individuals actually mean a lot for Alpha, for good and for bad. I have realized that a CEO actually has a lot more influence over a company than what I thought when I first started to work here [A. B.].

**DISCUSSION AND CONCLUDING REMARKS**

During the period covered by this article, there has been both direct and indirect pressure on construction companies to develop a more efficient building process as well as obliging to growing ethical and environmental concerns. This has called for, and resulted in, a gradual transformation into a more standardized and centralized organization. This transformation is not unique for Alpha; but common for the whole construction industry, which has been looking to the manufacturing industry for models to emulate. The first part of Alpha’s story shows that even though the managers appreciated the needs for a more centralized organization, there seemed to be some criticism regarding the consequences. This criticism manifested itself mainly as a discontent of having to give up decision-making mandates, as a sacrifice to organizational standards. The transformation that Alpha underwent can be described as unification in the name of economies of scale: merging activities into centralized functions and standardizing ways of work. As a consequence of these changes, Alpha is now, to a larger extent, run by a pre-determined plan with less room for subjective decision-making within the operational routines. It could be argued that top-management still decides what kinds of standardization that should be applied, but incremental standardization accumulates into indigenous ‘givens’ and will therefore delimit managers’ choices (e.g. Melander et al. 2008).

We identified an interesting phenomenon when examining the managers´ narratives. Epochs, personal experiences, strategy processes, and decisions were all dimensions in which a salient individual focus emerged. All these dimensions were personified to a large extent, the interviewees seldom referred to the rationale behind the time epochs, the personal experiences, the strategy processes, and the decisions, but rather to the specific CEO that they associated the events with; that person embodied the events to the point of representing the event itself.

The Strategy-as-Practice perspective advocates an emphasis on what people do, but it would probably have appeared as reasonable for many researchers and practitioners, to understand Alpha’s transformation throughout the years as the strategies that Alpha (as a company) had and the strategies that Alpha (as a company) changed – in relation to e.g. their market, their competitors, their internal resources. Such units of analysis, however, risk ignoring the inter-subjectivity dimensions of what the strategists do; and overestimate the degree of causality between e.g. market, competitors, internal resources and specific company actions. The story told in this article supports this point as well as the most fundamental standpoint of the Strategy-as-Practice perspective – “strategy isn’t something an organization has, it is something that the strategists do”, and from the perspective of a number of upper-level managers in our study, it is something that some few individuals did (mainly the CEOs).

It is clear that Alpha throughout time has reacted to circumstances, e.g. by changing their strategies – but via the subjectivities of these persons (the strategists). Some of the strategic
actions presented in the case are however examples of when the strategists’ subjectivities probably align closely with the institutionalized context, e.g., “the stock owners and the customers don’t tolerate morally questionable behavior; we must do something about it”. But even these more “obvious” strategic changes were personified in the narratives; processes and decisions are formalized, but they are also personified. The upper-mangers included in this study related changes throughout time to the different CEO’s; and it seems like every CEO is associated with major changes. Noel (1989) concludes that it was the CEO’s unique personalities that decided the strategic direction for a number of companies that were studied in a field research setting, and the stories told in this article indicate something similar – strategic change is perceived as something that the CEO’s have done, rather than as a process or as a rationale. Using another quote:

“… it was common for a CEO to do something and you shouldn’t do the same something as the CEO before you; that was more important than doing something good and right” [D.E. (upper-level manager), regarding the different CEO’s that Alpha have had throughout the years].

The largest change described by the managers is the transformation from a decentralized organization to a more centralized organization, via a period in the 1990’s where Alpha’s different geographical units worked independently from one another, relying on their “strongmen” to make decisions. It is possible that the circumstances during 1990’s created a company culture in which the subjectivity of a few leaders became a strong driver for strategic change; today, a number of upper-level managers relate strategic change to the “strongmen”, mostly the CEO’s.

It is however important to point out that little is known about the cause behind the identified phenomenon of personified strategies; the stories told are reconstructions of events and relating events to persons might be a mnemonic strategy rather than a mechanism of strategic change in real-time. It could also just be a version that seemed appropriate to share with researchers. We believe however that the degree of conformity among all the individual perspectives provides reason enough to pay attention to personified strategies and the implications.

Burgelman et al. (2005) note that internal corporate development cycles usually span over a longer period of time than a CEO usually stays at the same company; important long-term development strategies might therefore be disrupted if every CEO wants to (or feel they have to) change the strategy. Regardless of the effects from development cycles; personified strategies could likely diminish the holistic effects of strategizing; as the sum of a company’s competencies all together – which is the rationale behind the more standardized organization that Alpha has transformed into in order to meet the challenges on the changing markets.

The notion of "strategist" remains unproblemated in the Strategy-as-Practice field. This article is a first attempt to bridge this gap. Concentrating on upper-level managers, we have seen that there seems to be a tendency to associate strategic change with one specific strategist (the CEO). Such a perception could result in norms that put all responsibilities and risks onto one person. Furthermore, such pressure may be one reason why new CEOs may feel obliged to institute change (of any kind). However, associating strategies and changes with one person may also exaggerate the role of one strategists, understating the roles of others who may be equally involved in strategising; if upper-level managers associate change mainly with one top-level strategist, what responsibilities do they ascribe to themselves? If strategic change is

3 Documentation confirms some parts of this: there existed no common business plan for Alpha until the beginning of the 2000’s.
actually driven by one strategist’s subjectivity; then we could ask ourselves whether we can refer to strategy as a concept at all.

On the basis of the above, we conclude by suggesting that personified strategies could be important drivers for strategic change in construction, albeit not necessarily to drive strategising as such. Rather to drive the legitimacy of a new CEO. Research needs to be carried out in order to further explore the complexities of personified strategies.

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