مدیریت کسب‌وکار در صنعت ساخت
(Construction Business Management)

ماژول ۱: سازمان‌دهی کسب‌وکار

بخش دوم: مدیریت استراتژیک

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What we will learn?

- Learning curve
- Corporate objectives and strategies
- Strategic planning and management
  - Planning process
  - Situation analysis
  - Construction strategy formulation
  - Strategy implementation
  - Strategy evaluation
  - Sample of strategic planning for construction businesses
  - Cautions as you consider strategic path
- Exercises

Learning Curve

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Learning curve

- Most people's work quality **improves over time.**
- **When our employees** have grown in their skills, we have **more time to work** at the important or **urgent tasks** that drive the profit dollars.
  - **Our subordinates** of tenure, in turn, often earn a **higher wage** than **average**.
    - ✓ However, how do we **increase** this phenomenon to **our advantage**?
    - ✓ How do **we speed up** this **learning curve**?

Certainly, speeding up the learning curve is ***why*** *the industry focuses on* ***training****.*

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Learning curve

- Because the **construction industry** is **unique**,

  some of the **training** concepts that are well accepted in other industries

  don't fit our industry.

  - To **make training** give us a **strategic advantage** over our competitors, we must gain insights that most **others don't have.**

- As we **seek to grow our present workforce** to assume more responsibility (and authority),

  a **training** approach must be a **top priority.**

- It has to be the **primary option** if we are serious about replacing our **senior managers** as they start to **enter retirement age.**

Learning curve

- **Letting** all your people **make mistakes and learn** by trial and error is the **not** cost-effective way to go.
  - This approach is inefficient, costly, and takes a long time.

Learning curve

- We believe that **even** for the **most frustrated** contractors, the business will **get easier with time.**
  - **Unless they are harming** their health or their family relationships,
    they should **stick it out and continue** to own their construction firm.
    - ✓ **Many senior contractors** have related something like, "I have told many a young contractor **not to quit.**
      - As **frustrating** as the business seems, as **unfair** as it is treating you now,
        it will **start making sense** to you sometime in the **future**.
        Just don't quit.

Learning curve

- We are **fortunate not** to be in the **technology business**.
- According to Karl Fisch, what students learn in college in the **first year of a high-tech** degree will soon be **outdated.**
- He states that **50 percent of it will change** by their senior year.

Corporate Objectives and Strategies

The Owner’s Goals Are Primary

- Let’s look at some different goals contractors often choose.
  - To make a living
  - To fill a market need.
  - Finding the need and filling it is now a requirement
  - To capture and keep customers.
  - To construct monuments.
  - To have a high volume
  - To provide me something to do.
  - To provide my family members a job.
  - To provide choices, financial and otherwise
  - To generate a profit
  - To create value and then to leverage that value.

The Owner's Goals Are Primary

- Some contractors believe that **second place** is for **"first losers."**
  - That may be true, but some would say it is an awfully **harsh opinion**.
- The companies of owners with that opinion **tend to be larger** and have very **competitive staff**.
  - Other contractors want to **stay local.**
    - ✓ They want **no branch offices**, just one shop with the owner running it.

Strategic Planning and Management

Introduction

- In the highly **competitive construction industry**, a construction company must **plan for the future**,

if it intends to **grow** and **remain** a viable business enterprise.

What it involves?

Introduction

- This involves
  1. Forecasting the future business **environment**,
  2. Evaluating **alternative** business strategies, and
  3. Predicting **potential** future consequences of **current** business decisions.

What does it mean?

Strategic planning

- **Strategic planning** involves the development of objectives and **then** linking them with the **resources** that need to be employed to attain the objectives.

What four questions should be answered first?

Strategic planning

- It attempts to develop answers to the following questions:
  1. What is our current situation?
  2. What do we want our future situation to be?
  3. What might inhibit us?
  4. What actions should we take to accomplish our objectives?

What four items the strategic planning would provide mechanism for?

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Strategic planning

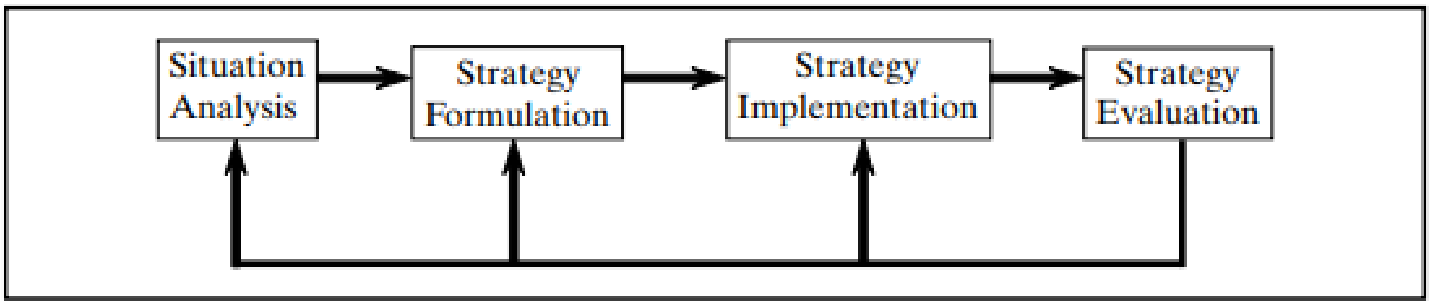
- Strategic planning provides a **mechanism** for
  1. **Assessing** company strengths and weaknesses,
  2. **Analyzing** the external environment,
  3. **Forecasting** the future, and
  4. **Selecting** objectives and action plans

  that **provide focus** and **guide company leaders** in their pursuit of success.

Strategic planning

- **Strategic management** is the process of implementing the strategic plan and making adjustments, as necessary.
- It is an **iterative process** that involves
  - Monitoring and evaluating the external environment,
  - Assessing company internal capabilities,
  - Implementing the strategies,
  - Measuring company performance relative to the accomplishment of its strategic objectives, and
  - Reallocating resources, if necessary, to improve company performance.

Strategic Management



Strategic management

Strategic planning is a key process for an established firm. If you are a very young construction company, it will be something to consider in the years ahead. A business plan will suffice for now.

Keeping the strategic planning process from collapsing due to missteps (of which there are dozens) is controllable. We have listed only 12. Amusingly, not performing strategic planning will eliminate failure, but then you will be stuck with a company driven by markets, customers, suppliers and other outside forces rather than by you and your knowledgeable staff. Take the time to do it and you will have an advantage to launch you to the best places (clients, markets, geography, etc.) in the industry.

Professionals should treat strategic planning as the holy grail of management. It is powerful for those companies that utilize it. Done well, it differentiates a company from its competitors and drives it to an unoccupied place in the market. As we stated, some firms aren't ready for it; however, all should consider it. We firmly believe strategic planning must be done by any firm of tenure that plans on a long and certain future.

Strategic management

- Often, the **planning process** is more important to company success than are the **products (plans)** that <u>come from the process</u>.

Planning Process

Strategic plan for pacific constructors

- Next Figure provides an **overview** of the **planning process** from the creation of a <u>mission statement</u>

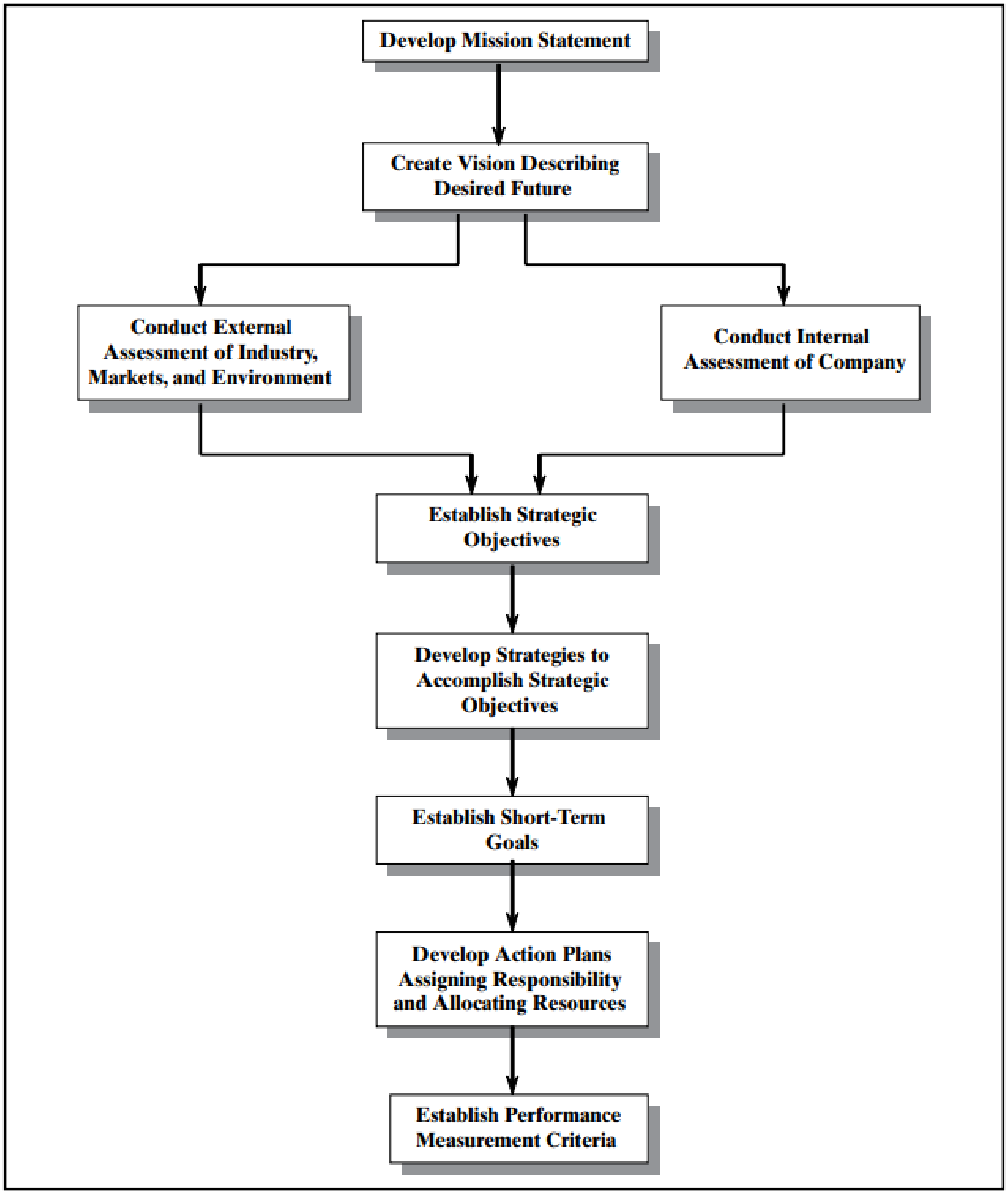
  through the **establishment** of <u>performance measurement criteria</u>.

- The objectives of the process are
  - To establish a <u>framework</u> for decision making,
  - To assign <u>responsibilities</u> and allocate <u>resources</u>, and
  - To establish <u>quantifiable goals</u> that can be used to measure company progress.

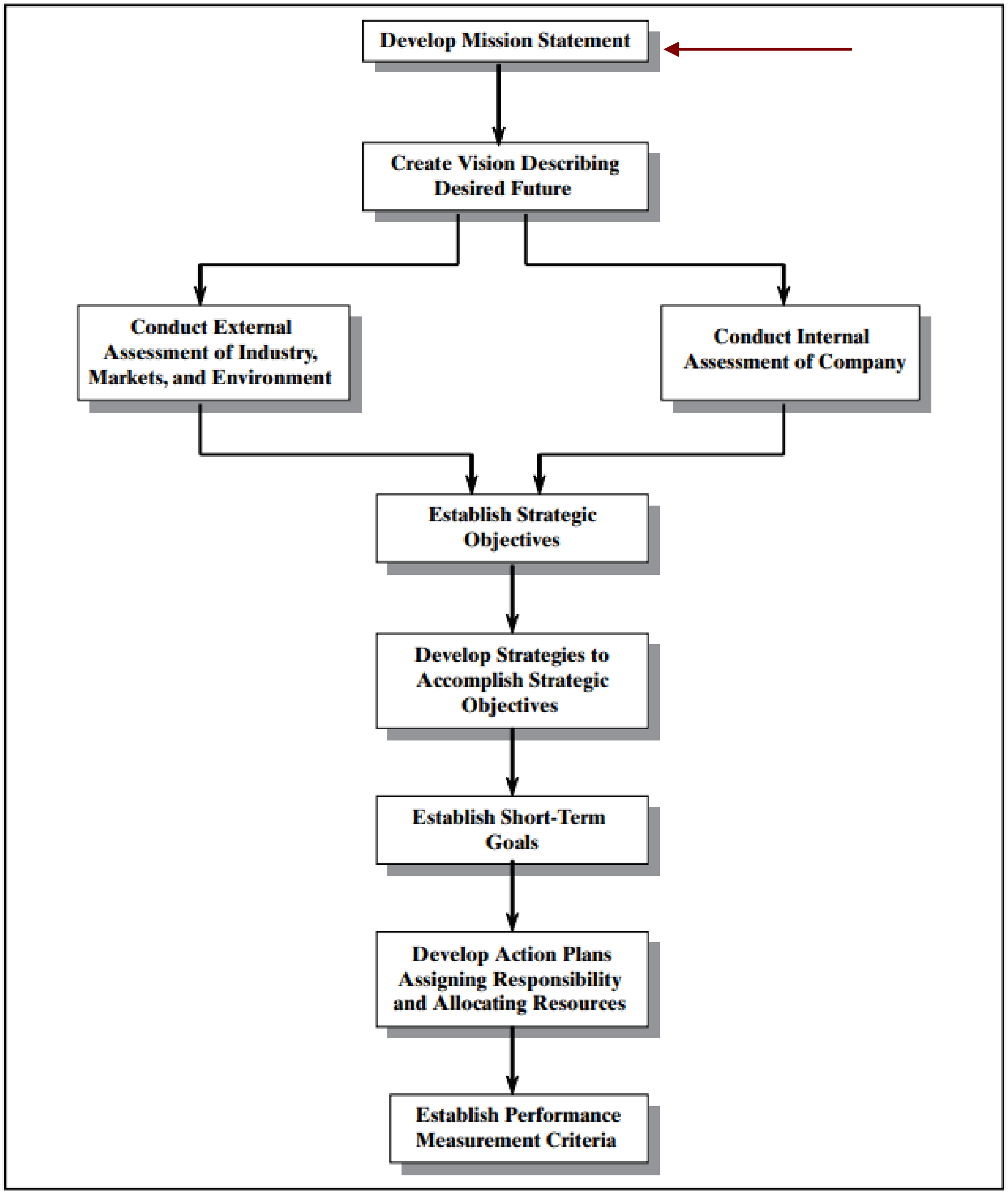
*The result is an **integrated plan***

*that can be used to **guide** **decision makers** in managing the company.*

Strategic plan for pacific constructors



Strategic plan for pacific constructors



Mission statement

- The initial step in developing a strategic plan for a firm is to develop a **meaningful mission statement**

  that has significance to both the employees and the customers of the firm.

- The **mission statement** should articulate in simple terms

  1. Why the company exists and
  2. What makes it different from other firms in the industry.

Mission statement

- This statement should be **carefully crafted**
  - To be of enduring value,
  - To provide focus to the organization, and
  - To establish boundaries for the development of strategic **objectives** and **goals**.

Mission statement – Sample

Mission

Your mission captures how you will get there or how you will win. Typically, mission statements tend to start "By providing" or "By producing" something. Companies win when there is value. What you produce or provide affects the reputation of the firm. Word of mouth will travel fast. A typical mission statement might read:

By Providing Quality Services to Value-Oriented Clients

Some examples of company mission statements are shown below.

Mission statement – Sample

- We build quality homes and neighborhoods that **exceed the expectations** we have established with our customers.
- Great Northern Constructors is an **enthusiastic**, **innovative**, **client-centered** construction services organization, committed to **exceeding** our clients' expectations in an atmosphere of **trust** and **respect**.
- Our purpose is to provide **unsurpassed service**, **risk management**, **quality** and **value**, while achieving **profitability** through competitive pricing and creativity.
- **Our people** are the **essence** and **vitality** of **our company**.
- Together in partnership, we create a **safe**, **highly productive**, and **enjoyable environment**, which challenges and enriches **each individual**.
- Collectively, we provide the **opportunity** for personal and professional **growth** in support of **individual plans** and **goals**.

Mission statement – Sample

- Western Construction constructs high-quality, management-intensive construction projects in the Western States and provides professional, client-oriented services.
- Our clients perceive us as a customer-oriented organization that delivers value better than the rest of the industry.
- We are a profitable enterprise that undertakes only projects that have the prospect of an appropriate financial return.
- We have a strong, cohesive team of talented individuals with high esteem and self-worth.
- We provide a work environment that demands respect for every individual, promotes professionalism, is upbeat, and is a fun place to work.
- We are a responsible corporate citizen, making contributions in the community and respecting the environment.

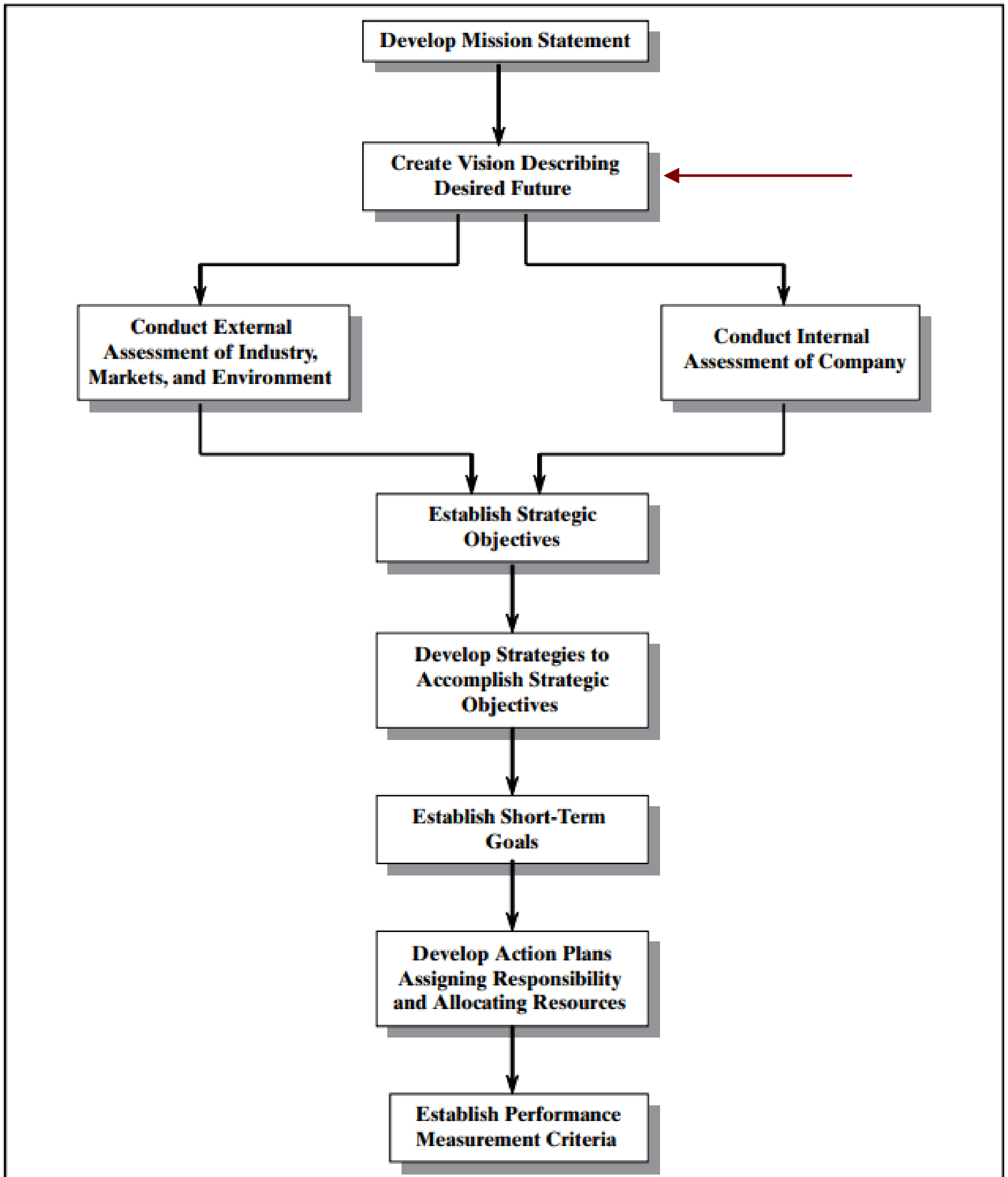
Mission statement – Sample

Tagline

A tagline is a short statement that can explain or encapsulate your philosophy.

Quality Construction Services for Quality Minded Clients

Strategic plan for pacific constructors



Company vision

- **Once** a **mission statement** has been developed,

  a vision statement is written

  that **broadly describes** where the **company** **intends** to be in the next ten or so years.

- This vision should be
  - Summarized,
  - Inspiring to employees, and
  - Meaningful to current and potential customers.

Company vision

- A successful vision **provides employees** the opportunity to view their positions as members of a team that has a **unified direction** and **purpose**,

  rather than viewing their roles as being responsible

  only for their own individual tasks.

Company vision

- To ensure its **acceptance at all levels** within the company,

  it is suggested that the **final draft** be sent to **all employees** for **comment.**

- While the **mission statement** is written using present tense because it describes **what the company does,**

  the **vision is written** to describe what the company aspires to become in the **future**.

Some examples of company vision statements are shown below.

Company vision – Sample

Vision

Vision is what your company will be known for by the average person in the industry. Many times, it is an energizing statement. It is something that has to be crafted and takes time to create and refine. Once in place, it should be rarely changed. However, after many years, it is normal to modify it to reflect a new vision and to generate a new energy. Typical vision statements might read:

> To become the infrastructure leader in the state of ____________.
> We are driven to be the best.

Company vision – Sample

- To become a **national home-building** company with the financial and organizational strengths to provide **quality homes** in **distinctive neighborhoods** throughout the **nation**.
- Western Construction will be the premier building contractor in the Western States **known for its ability** to
  1. **Create continuing partnerships** with high-quality owners to produce **best-value construction projects.**
  2. **Recruit**, **train**, and **retain** the best people in the industry at all levels within the organization.
  3. **Self-perform** key elements of the work with **highly productive**, **skilled craftsmen.**

Company vision – Sample

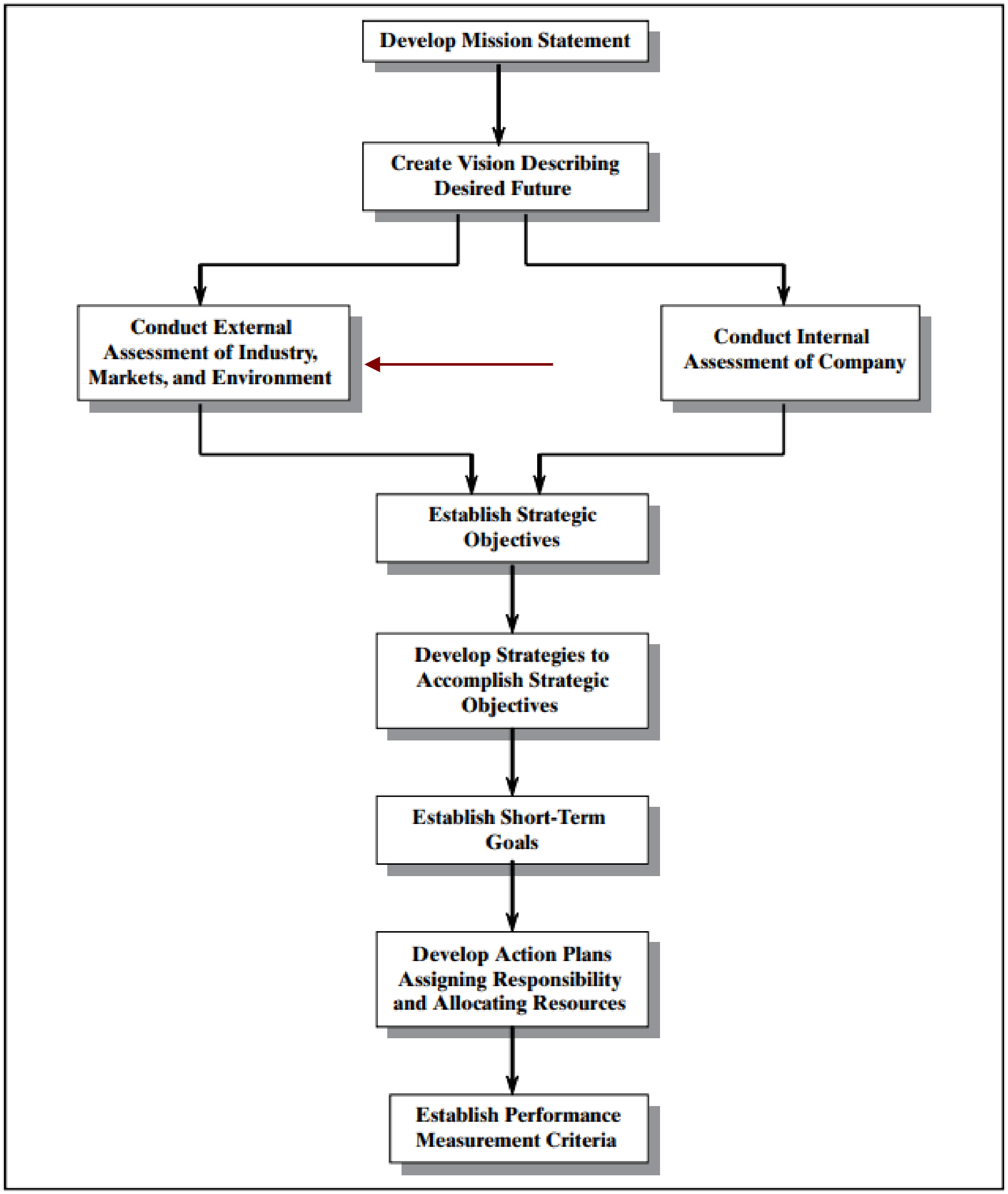
- To become the constructor of choice in the Southeastern States by creating job satisfaction and adequate rewards for our employees,

  building quality projects for our clients, and

  becoming recognized within our industry and

  the communities we serve as an outstanding organization.

Strategic plan for pacific constructors

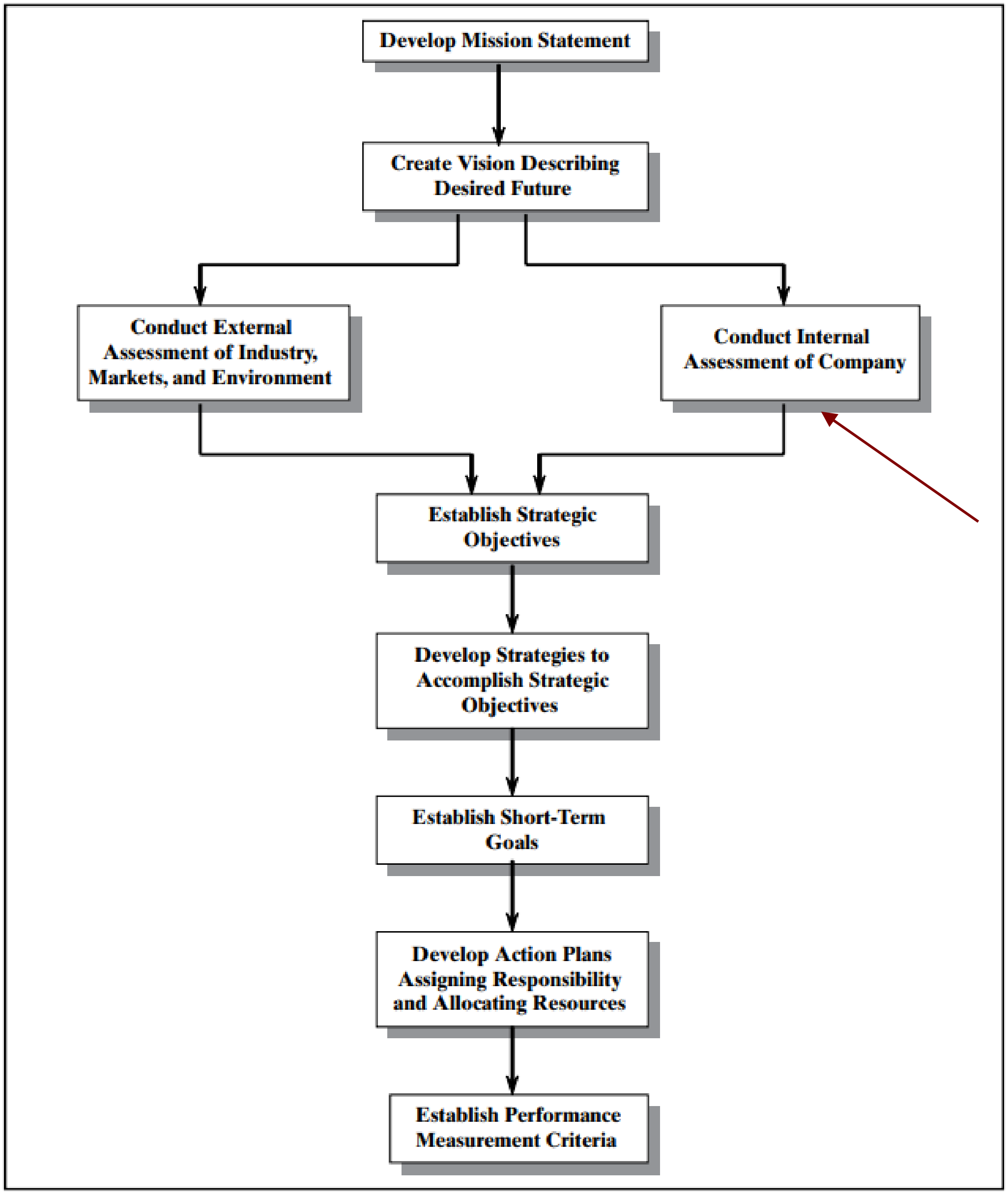


Strategic assessment

- Once the mission statement and company vision have been developed, an **assessment** of the **existing company** posture is made to serve as a **baseline** for the **development** of the strategic plan.
- By fully understanding company strengths and weaknesses, company leaders will be able to
  1. Make **realistic decisions** regarding **business initiatives** and
  2. Allocate **resources** to correct significant **weaknesses**.

This internal assessment will be discussed in more detail in the section "Situation Analysis."

Strategic plan for pacific constructors



Strategic assessment

- This external assessment should evaluate the company's **current** and **potential** customers to

  understand their selection criteria and motivation to **purchase services.**

  - Are there unmet needs among the customer base?
  - What will be the bargaining power of customers or material suppliers in the future?
  - What will be the impact of technology, government, demographics, culture, and economics in the future?

Strategic assessment

- This external assessment should **identify** **all external factors** that will significantly **impact** the **company’s future**.

- In most cases, the **future performance** of these factors needs to be **forecast** based on **probable external events**.

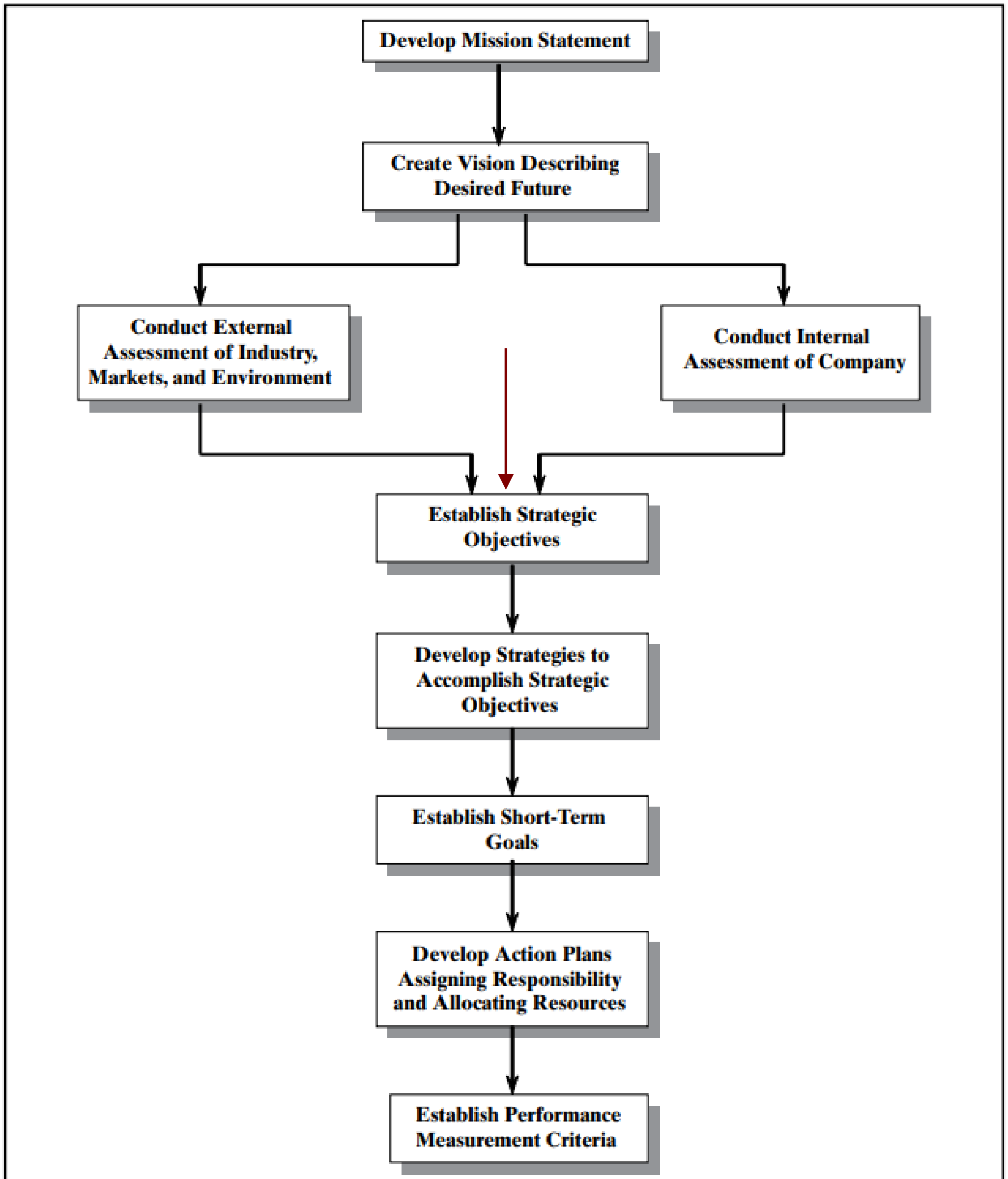
Strategic assessment

- The **output** of the external assessment is
  1. A **forecast** of the future environment and its impact on the company and
  2. The **consequences** of continuing to do business as it is being **done today**.

- This forecast may be based either on
  1. Statistical projections of **historical data** or
  2. Brainstorming by **knowledgeable individuals**.

External assessments will also be discussed in more detail in the section "Situation Analysis."

Strategic plan for pacific constructors



Strategic objectives

- **Strategic objectives** are developed to **guide the company** in the **accomplishment of its vision.**

- These objectives should be broad and timeless statements that **require action.**

- Successful accomplishment of the objectives should **take** the **company** from
  - The **baseline** determined in the strategic assessment to
  - The posture described by the company vision.

Strategic objectives

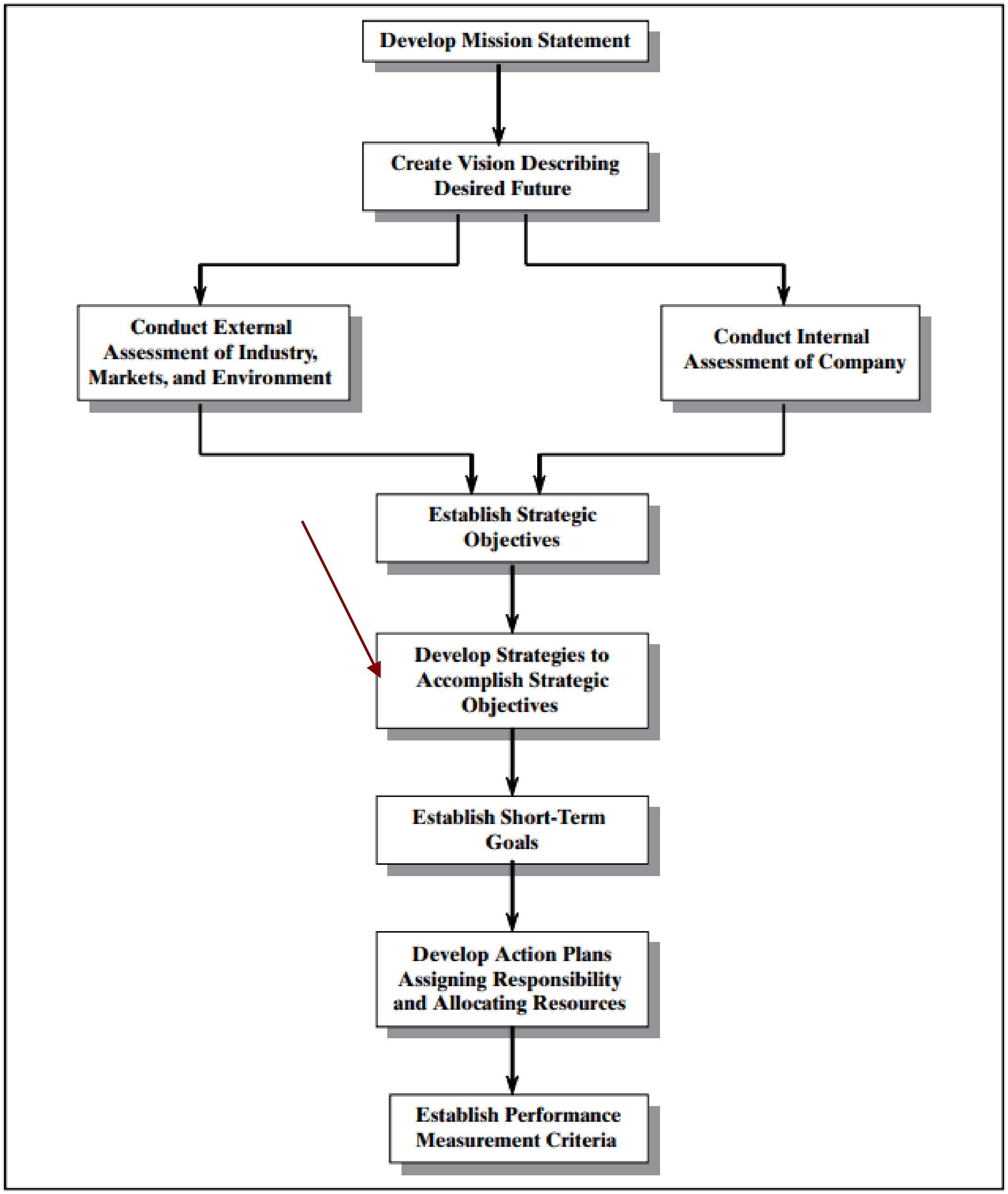
- The strategic objectives should **address** both financial and nonfinancial issues.
- They should be realistic, yet challenging, and stretch the organization.
- The objectives must be measurable and should incorporate a time dimension, so **progress** can be monitored.
- They must be structured to **avoid conflict** among elements within the company and any **unintended consequences**.

Strategic objectives

- These objectives need to be specific and action-oriented, so there is a clear understanding regarding **what is to be accomplished**.
- Does the company want to increase its profitability or market share?
- Maybe the company wants to diversify into other markets.

Development of strategic objectives will be discussed in more detail in the section "Strategy Formulation."

Strategic plan for pacific constructors



Develop strategies to accomplish objectives

- One way to proceed is to **list** each of the major alternative strategies for **objective accomplishment**.

- **Each alternative strategy** should be **evaluated** in terms of specific risk factors under **alternative future forecasts**.

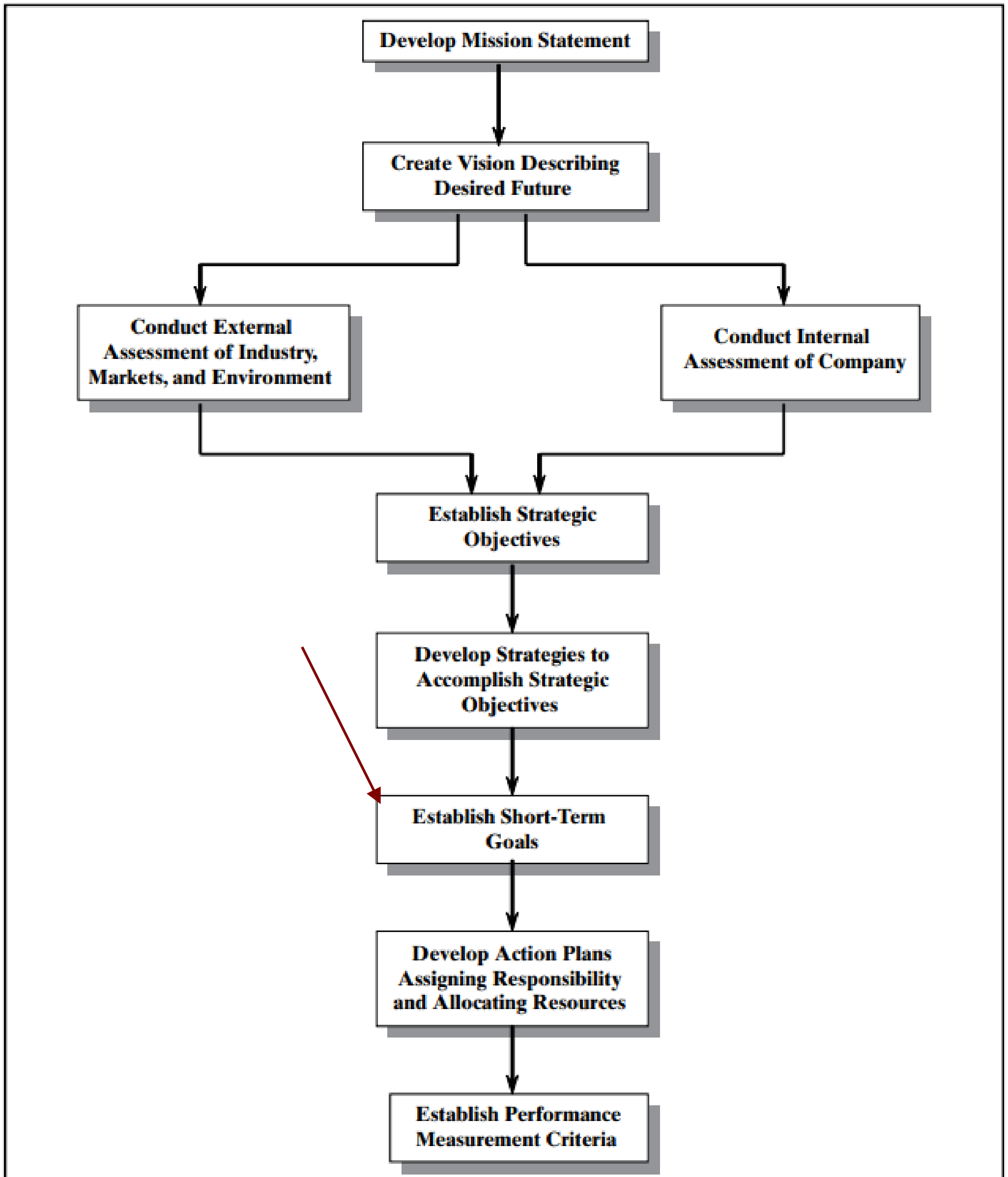
- This allows a **sensitivity analysis** of strategy selection with respect to **possible alternative futures.**

Develop strategies to accomplish objectives

- Strategies, including human resource and capital investment, are developed for **accomplishment** of the strategic objectives.
- **Planning assumptions made** in developing external forecasts need to be **reviewed** during the development of corporate strategies to **minimize risk** to the company **in the event** that external factors do not materialize as forecast.
- **These assumptions** also need to be reviewed during the **performance evaluation session** to ensure that the **assumptions are still valid**.

Development of company strategies will also be discussed in more detail under "Strategy Formulation."

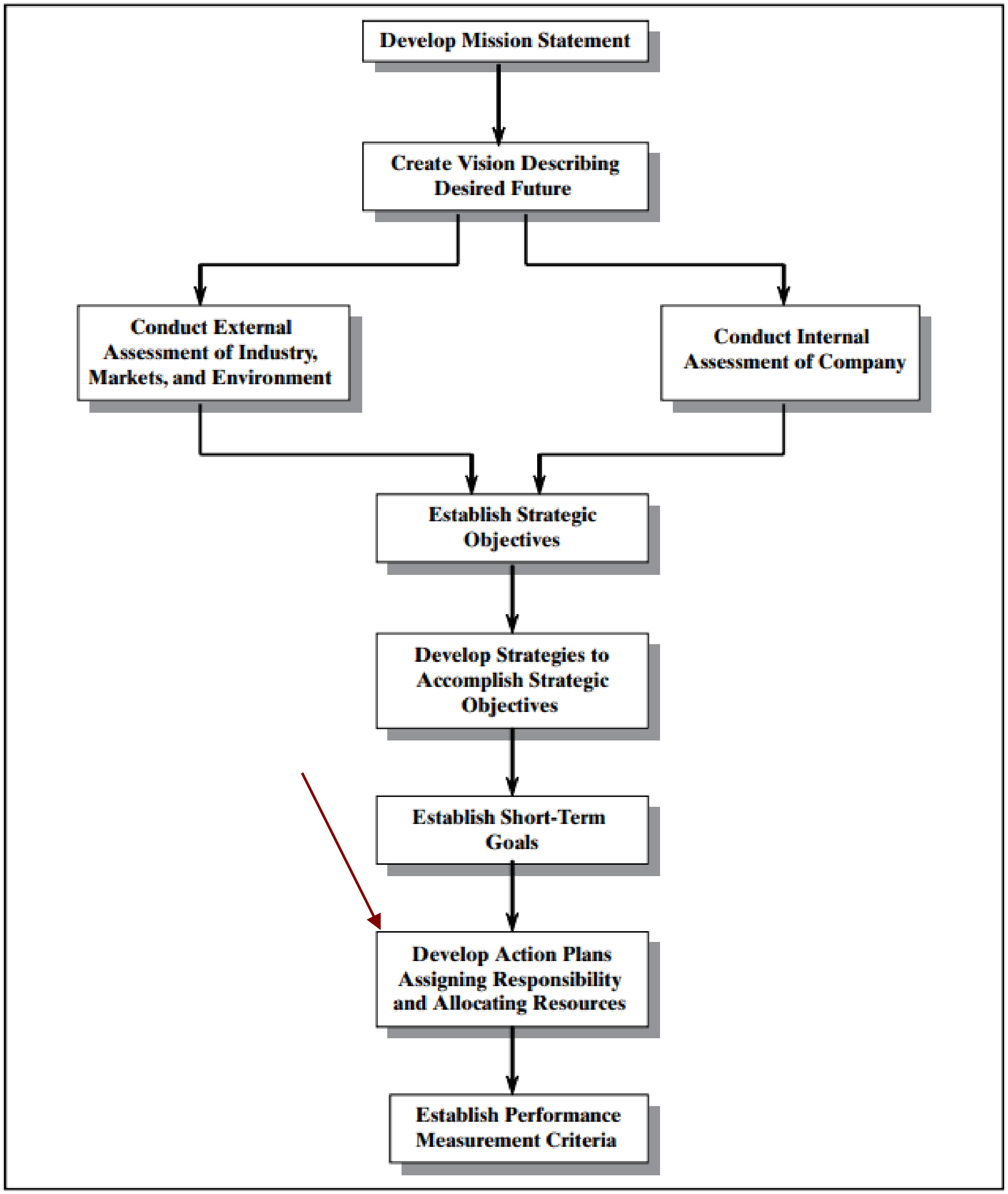
Strategic plan for pacific constructors



Company strategies and short-term goals

- **Short-term goals** are selected as **intermediate targets** toward accomplishment of **long-term strategic objectives**.
  - While the **planning horizon** for a strategic plan is typically **five to ten years**, the **planning horizon** for short-term goals is **one to two years**.
  - **Strategic plans** should be reviewed annually, and **new short-term goals** selected for the succeeding one to two years.
- **These short-term goals** are used for developing action plans that assign responsibility and allocate resources.

Strategic plan for pacific constructors



Action plans

- An **action plan** is
  1. An assignment of specific actions to an individual,
  2. An allocation of resources, and
  3. An establishment of a specific date by which the actions are to be completed.

Action plans

- These action plans should be developed for the **major business functions** within the company,

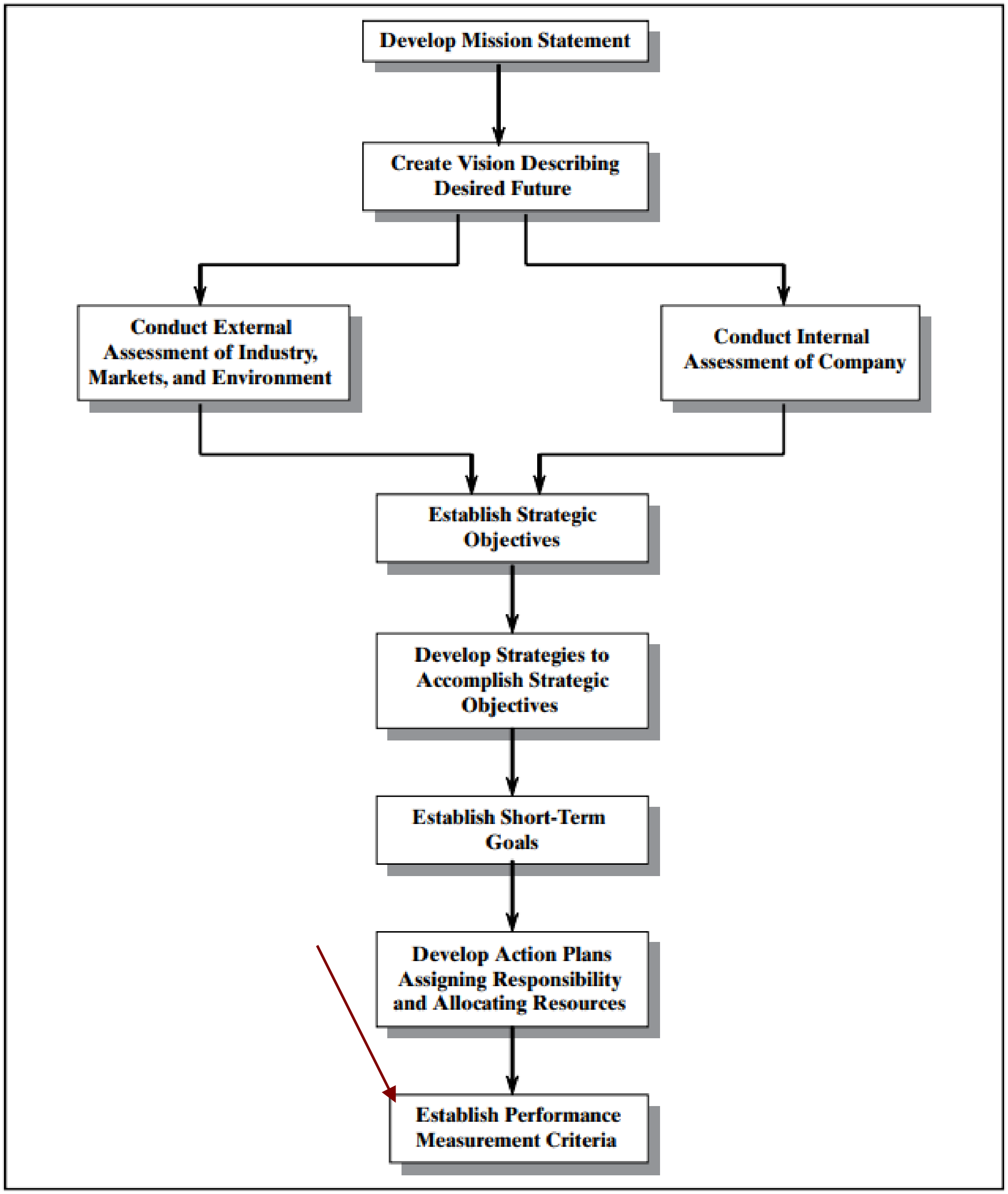
  such as marketing, financial management, project execution, human resource development, and information management.

- These action plans need to **specify**
  1. Which individuals will accomplish
  2. What tasks by
  3. What date with
  4. Which resources (people and money).

  Development of these action plans will be discussed in more detail under

  "Strategy Implementation."

Strategic plan for pacific constructors



Performance measurement

- Once the **action plans** have been developed,

  a **feedback structure** needs to be implemented to **assess progress** toward accomplishment of company goals.

- Since it costs **money to collect data**,

  it is important not only that **sufficient data be collected** to make a reasoned analysis of company progress,

  but also that **unnecessary data not be collected.**

Performance measurement

- Data collection must include **some form of feedback** from the company's customers to ensure satisfaction with the **services received**.
  - The **most common feedback system** is a monthly or a quarterly review and analysis of company performance.

Performance measurement

- Specific data are collected relating to
  - Business volume,
  - Profitability,
  - Cost of doing business,
  - Customer satisfaction,
  - Marketing initiatives, and
  - Employee development.

Performance measurement

- The **data** are **reviewed** by **company executives** to assess progress toward **meeting** company goals and objectives.
  - When the reviewed data indicate that **progress is not being made**, the executives need to determine the **reasons**.

Performance measurement

- Based on **this analysis**,

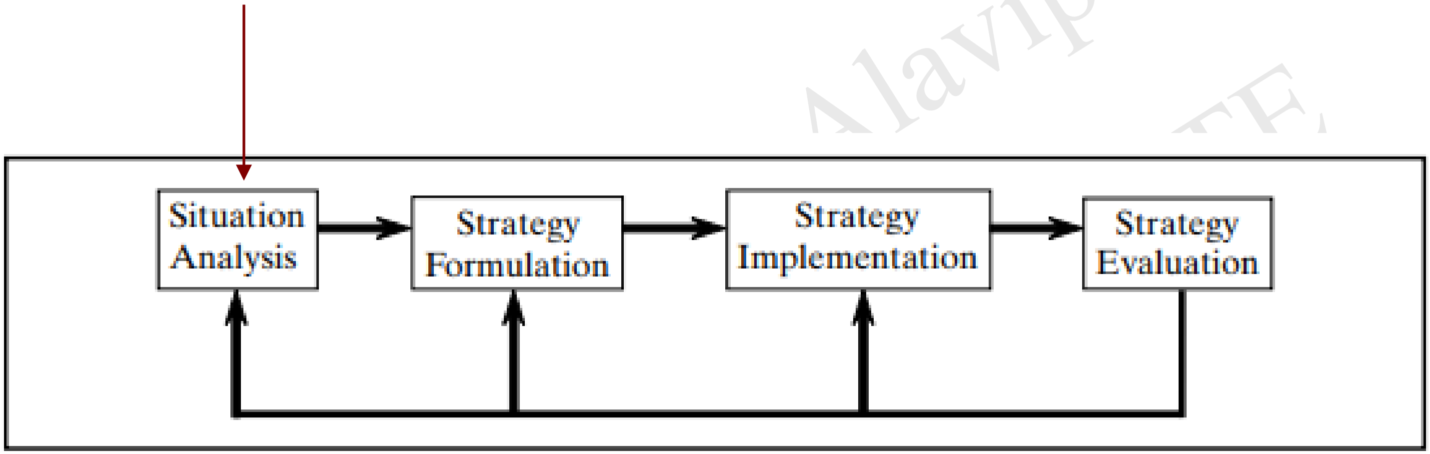
  parts of the strategic plan **may need revision**, as discussed earlier.

- This is where a **feedback mechanism** is required in strategic management.

Now let's examine the four major steps in strategic management.

Situation Analysis

Strategic Management



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Introduction

- Before selecting an appropriate set of company strategies, the company needs to analyze the **current situation**.

- This strategic assessment is sometimes referred to as conducting a **SWOT analysis**.

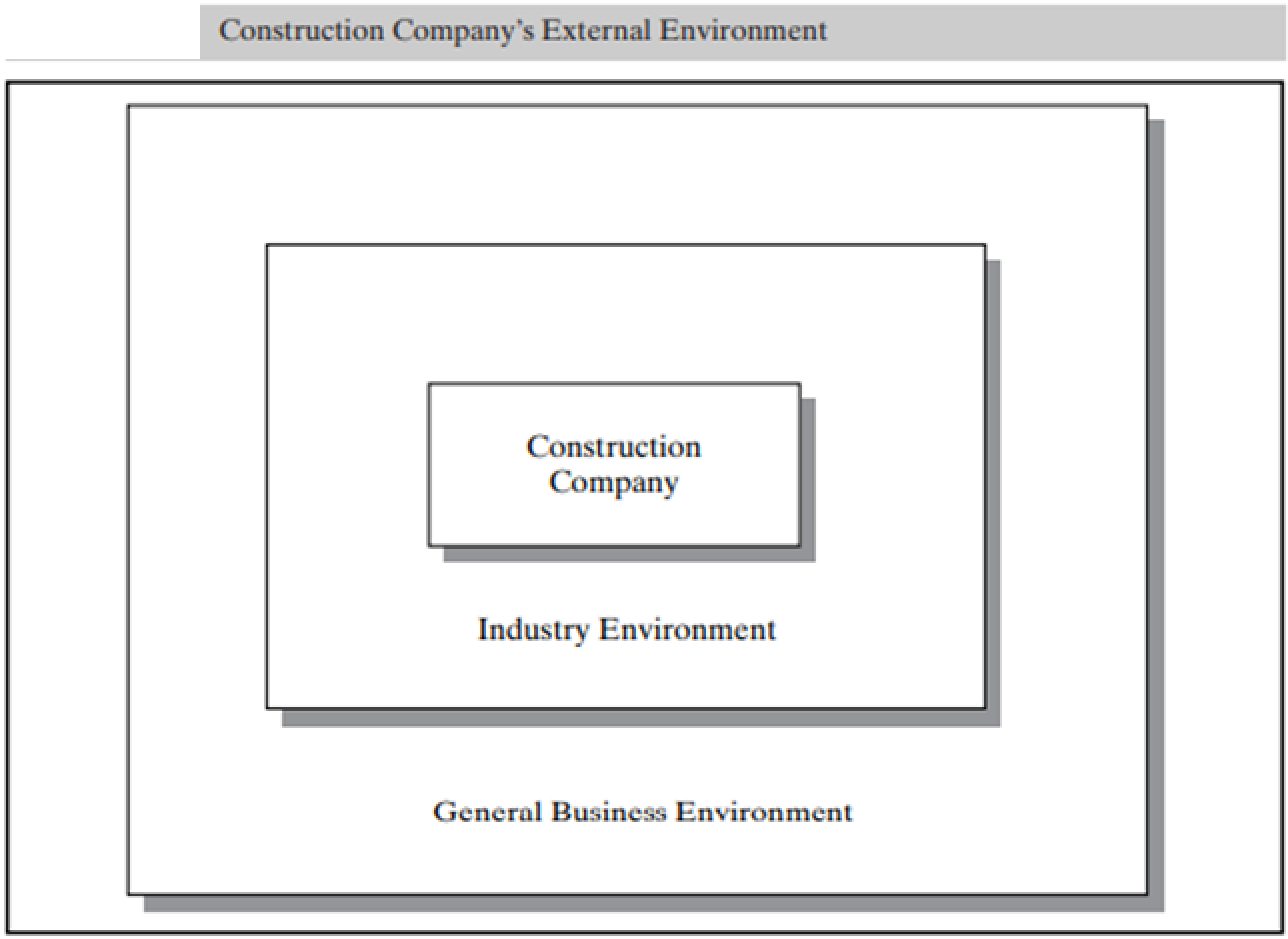
- The S and W refer to assessing the strengths and weaknesses of the company, and the O and T refer to forecasting future opportunities and the potential threats the company may experience.

Introduction

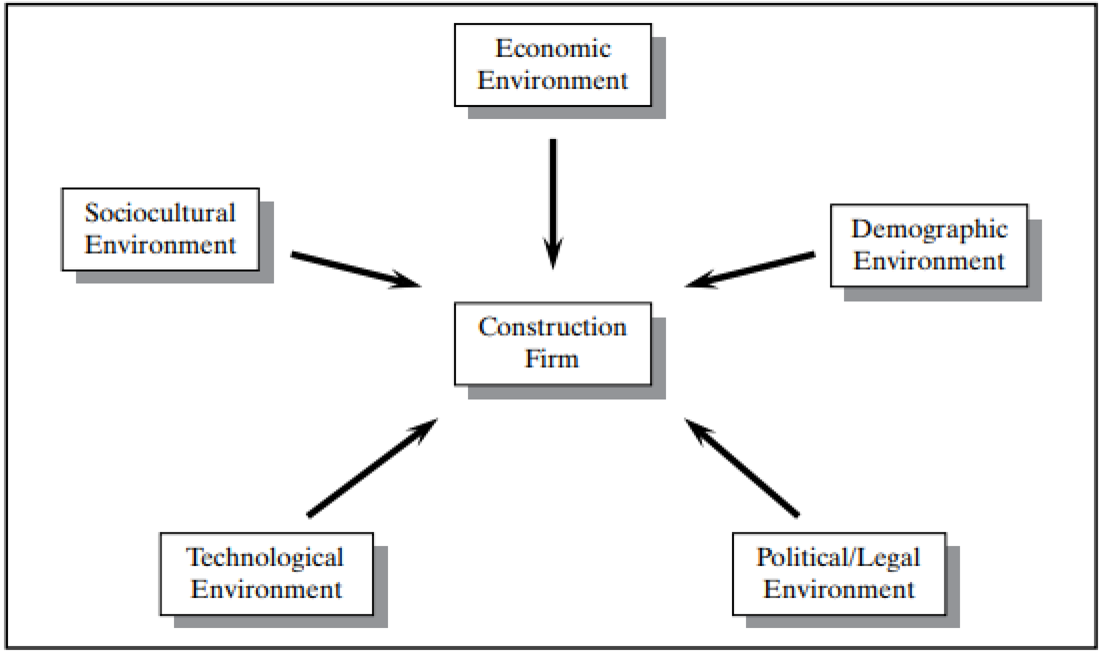
- The **reason** for developing the mission statement and the vision **before** conducting the situation analysis is to provide a **context** for **assessing** the **external environment** and the company's **internal capabilities**.

Strategic planning is concerned only with those issues that relate to the company's ability to accomplish its mission and vision.

External analysis – General business environment



External analysis – General business environment



General Business Environment

External analysis – Analysis of general business environment

Analysis of General Business Environment

Economic environment. Financing and commercial lending interest rates will increase to control inflationary pressures due to the growing economy. The rental/lease rates for commercial office and retail space are at high levels and are expected to increase by 5 percent over the next five years.

Demographic environment. The regional business forecast for the next five years is positive. Eighty percent of the employers in our market area report that they expect revenue growth and additional demand for workers over the next five years. Overall job growth is expected to average 2 percent, and population growth is expected to average about 3 percent over the next five years. Demand for commercial construction is expected to remain high because of the anticipated population growth. Construction labor will be in short supply and will impact the cost of construction.

Political/legal environment. Environmental concerns, attempts to limit the spiraling cost of construction, and concerns regarding maintaining and improving public infrastructure will result in increased governmental regulation of the construction industry and will complicate the permitting process. This trend could result in increased construction costs and place some downward pressure on the demand for commercial construction.

Technological environment. Building systems will become more sophisticated, particularly in the electrical and mechanical areas. More environmental-friendly building components will be developed, and there will be an increased use of composite materials. Web-based collaboration tools will be required by some customers, necessitating the training of company employees and major subcontractors.

Sociocultural environment. There will be an increased emphasis on reducing the environmental impact of construction. High school graduates and their parents will continue to undervalue careers in the construction industry.

External analysis – Analysis of specific industry environment

Analysis of Specific Industry Environment

Customer analysis. The company has a broad customer base, and the growing economy should provide opportunities for increased work. Customers are becoming more demanding and expect the general contractor to assume increased responsibilities for managing the permitting and design processes. Increased customer interest in the design-build delivery method is expected over the next five years.

Subcontractor analysis. Increased demand for quality subcontractors will increase their selectivity regarding the general contractors with whom they wish to work and provide subcontractors greater leverage in pricing their services.

Supplier analysis. The cost of construction materials and supplies is expected to increase by 4 percent per year over the next five years. Local high demand for supplies may result in supply shortages during the summer construction periods. These shortages will increase the bargaining power of suppliers.

Competitor analysis. The commercial construction market is highly competitive and increased market demand may result in new entrants or diversification of existing competitors. Current competitors may expand their service offerings to increase their market share and meet increased customer expectations.

Internal analysis

- To be able to select appropriate company strategies, it is important to determine
  - What the company **can and cannot** do well and
  - **What assets** it has and does not have.
- This is called an **internal analysis** or **internal assessment** of company strengths and weaknesses.
- It serves to **define** the existing conditions that are needed to **establish a baseline** for the development of a strategic plan.

Internal analysis

- Strengths are
    1. The **resources** that the **company possesses** and
    2. The **capabilities** that it has developed,

    which can be **exploited** to develop a sustained competitive advantage.

- Weaknesses are **resources** or **capabilities**

    that are **lacking** and **prevent** the company from developing a sustained competitive advantage

Internal analysis

- An internal analysis is the **process** of identifying and evaluating the company's
  - resources,
  - capabilities, and
  - core competencies.

- Company resources include
  - Financial,
  - Physical,
  - Human,
  - Intangible, and
  - Organizational resources.

Internal analysis

- There are **three basic approaches** that may be used in conducting an internal analysis—
  1. **A value chain analysis,**
  2. An internal audit, and
  3. An internal functional analysis.

Internal analysis – Value chain analysis

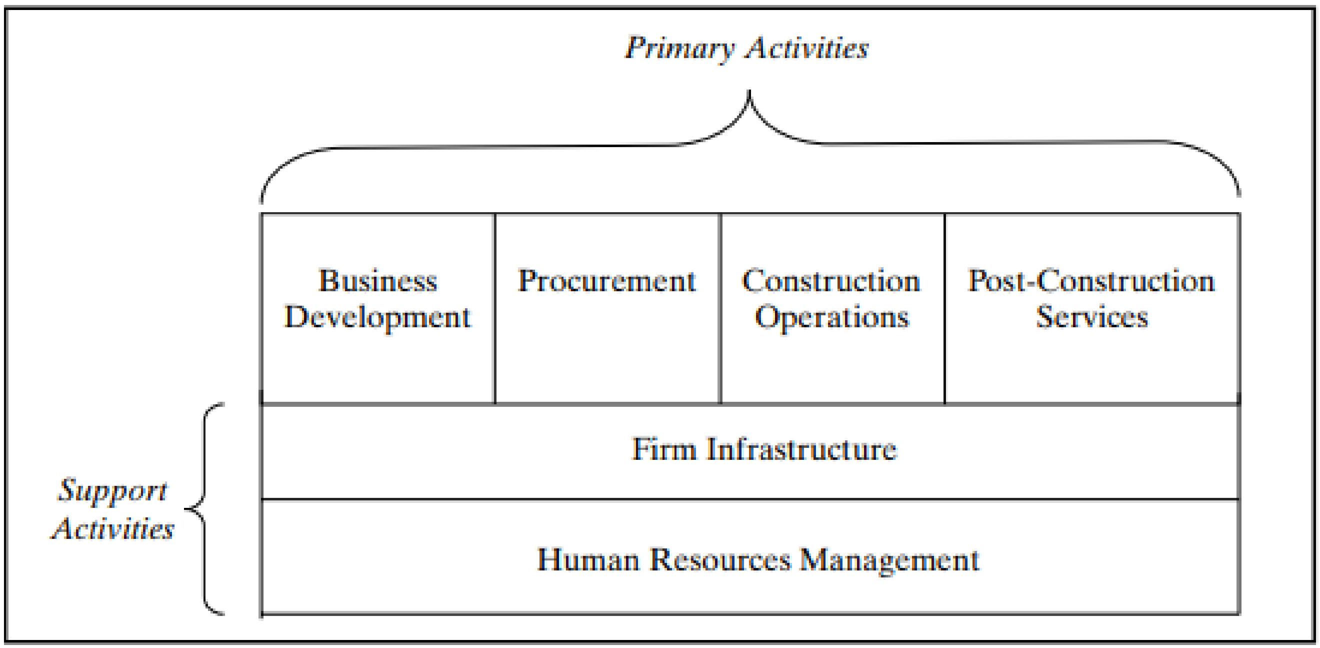
- A value chain analysis is a **systematic approach** to
  1. **Examining** all of the company's functional activities and
  2. **Assessing** how well they create customer value.
- By **assessing** a firm's strengths and weaknesses **with respect** to each of these activities,

  managers can develop an **in-depth understanding** of the **company's capabilities.**
- Creating customer value is why the company exists, and

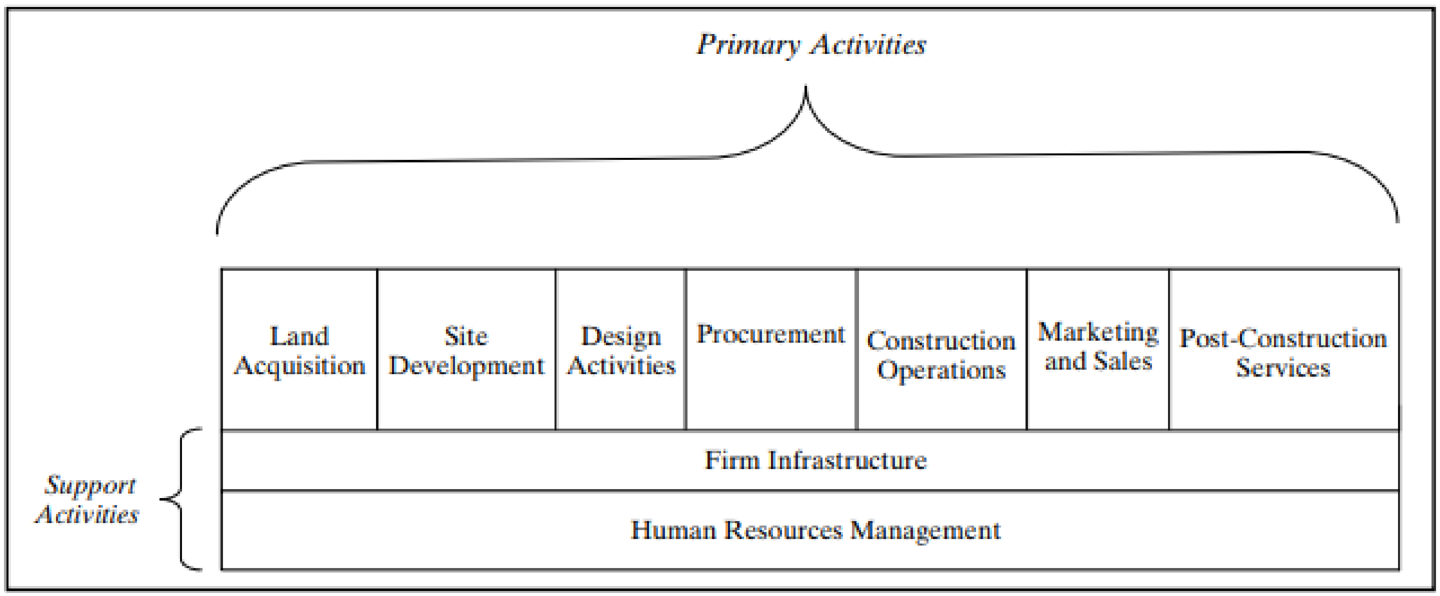
  strategic planners need to understand which values are important to customers.
- Identification of customer expectation is also a key element of the **external analysis** discussed previously.

Internal analysis – Value chain analysis

Value Chain for Commercial Contractor



Internal analysis – Value chain analysis



Value Chain for Residential Builder

Internal analysis – Value chain analysis

- **Each of these activities** can be **further divided** for conducting a thorough internal analysis.
  - Each item is **then rated** as
    1. Poor,
    2. Below average,
    3. Average,
    4. Above average, or
    5. Excellent

    to create an overall assessment.

Internal analysis – Value chain analysis

- An example of a breakdown for the primary activities shown in previous Figure is as follows:

Business Development

- Effectiveness of market research in identifying customer needs
- Motivation and effectiveness of business development staff
- Loyalty of current customers
- Ability to attract new customers
- Dominance of company in desired market sectors

Procurement

- Relationships with subcontractors
- Efficiency and effectiveness of subcontracting procedures
- Relationships with suppliers
- Efficiency and effectiveness of material purchasing procedures
- Efficiency and effectiveness of submittal management procedures

Construction Operations

- Effectiveness of cost-estimating and cost control procedures
- Effectiveness of project scheduling and schedule control procedures
- Effectiveness of project management systems
- Effectiveness of quality management systems
- Effectiveness of safety management systems

Post-Construction Services

- Effectiveness of warranty management system
- Effectiveness of customer relationship development program

Internal analysis – Value chain analysis

- The support activities also can be further divided for detailed assessment as shown below:

Firm Infrastructure

- Adequacy and location of facilities and equipment
- Efficiency and effectiveness of finance and accounting system
- Efficiency and effectiveness of information management system
- Efficiency and effectiveness of business management systems
- Effectiveness of overhead cost control system

Human Resources Management

- Effectiveness of procedures for recruiting and developing employees
- Appropriateness of employee reward system
- Working environment
- Relations with unions
- Levels of employee motivation and job satisfaction

Internal analysis

- There are **three basic approaches** that may be used in conducting an internal analysis—
  1. **A value chain analysis,**
  2. **An internal audit, and**
  3. An internal functional analysis.

Internal analysis – Internal audit

- A second approach to conducting an internal analysis is to conduct an **internal audit**.
- This involves assessing the **company's major functional areas** to determine
  1. **If they have adequate resources** to perform their work activities and
  2. **How well they perform** their assigned tasks.
- The **primary functional areas** of a general construction company that should be audited are marketing, financial management, contract management, cost estimating, construction management, procurement, equipment management, human resources management, and information management.

Some key audit questions are listed below for each of these functional areas.

Internal analysis – Internal audit

Marketing

- What is the effectiveness of the company's marketing activities?
- What is the company's market share?
- What marketing tools are being used?
- How strong are the company's relationships with major customers?

Financial Management

- What is the company's current financial condition?
- Does the company maintain adequate working capital?
- What are the efficiency and the effectiveness of the company's accounting procedures?
- Does the company have an effective overhead budgeting and cost control system?

Contract Management

- Does the company have effective procedures to maintain all contract documents?
- Does the company have effective procedures to manager contract change orders?

Cost Estimating

- Do project cost estimates compare favorably with final project costs?
- Does the company maintain a cost-estimating database that is updated with historical project cost data?
- Does the company have effective procedures for estimating the cost impacts of change orders?

Construction Management

- Does the company have adequate quality control procedures to meet customer expectations?
- Does the company deliver projects on time?
- Does the company have effective safety programs and a good safety record?
- How does the project team manage project documentation?

Internal analysis – Internal audit

Procurement

- What are the company's relationships with subcontractors?
- How effective are subcontract procurement procedures?
- What are the company's relationships with suppliers?
- How effective are material procurement procedures?

Equipment Management

- Does the company equipment fleet generate a profit for the company?
- How are acquisition and disposal decisions made?
- Are realistic rates used to charge projects for the use of company-owned equipment?
- Does the company have an effective equipment maintenance program?

Human Resources Management

- What is the working environment within the company?
- What is the employee turnover rate in the company?
- What is the absentee rate among employees within the company?
- What employee training and development programs are available within the company?
- What type of reward system is used by the company?
- How effective are company recruiting efforts?
- What is the relationship between the company and the craft unions?

Information Management

- How is information managed within the company?
- Does the company use common databases to capture and manage company data?
- What paper or electronic files are retained and who manages them?
- Is information delivered efficiently and effectively?

Internal analysis

- There are **three basic approaches** that may be used in conducting an internal analysis—
  1. **A value chain analysis,**
  2. **An internal audit, and**
  3. **An internal functional analysis.**

Internal analysis – Internal functional analysis

- The third approach to determining a company’s strengths and weaknesses is to conduct an **internal functional analysis**.

- This involves identifying and evaluating
  1. Firm’s resources,
  2. Capabilities, and
  3. Core competencies.

Internal analysis – Internal functional analysis

- Company resources include
  1. Physical assets,
  2. Financial assets,
  3. Human resources,
  4. Reputation, and
  5. Organizational assets.

Internal analysis – Internal functional analysis

- Company capabilities include
  - Management capabilities, such as leadership, decision making, and efficient use of company assets
  - Use of financial assets in terms of liquidity, leverage, and profitability
  - Technical skills of employees
  - Teamwork skills of employees
  - Capital and overhead budgeting procedures
  - Information management system
  - Human resources management system
  - Business development procedures

Internal analysis – Internal functional analysis

- Each company **resource** and **capability** is **evaluated** and rated as poor, below average, average, above average, or excellent.
- This will lead to **identification** of the company's core competencies, or major value-creating skills and capabilities.
  - Do these core competencies provide the company a competitive advantage in the market?
  - If so, they should be emphasized during the development of strategic objectives.
  - If not, they need to be supplemented with additional capabilities.

Internal analysis – Internal functional analysis

- An example of a set of core competencies for a construction firm is shown in Figure.

- Dedicated, hard-working, smart, and cooperative people
- Strong commitment to self-performed work
- Safe, efficient, and well-equipped crews
- Strong value-driven business
- Regional recognition for outstanding work
- Affiliation with quality owners with whom we enjoy doing business
- Strong team of partners (subcontractors, suppliers, bonding, banking, and legal)
- Geographic flexibility

Sample Set of Core Competencies

Internal analysis – Use of analysis results

- The objective of the internal analysis is to identify the company's strengths and weaknesses.
- This provides a **baseline** of the **firm's current posture** that will be used **in selecting**
  1. The strategic objectives and
  2. The company long-range strategies for their accomplishment.

*The goal is to **move** the company from its current position as described by the internal analysis to the **position described** in the company vision.*

Construction Strategy Formulation

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