

Strategic change for survival: a Case of Construction Company in Slovenia**

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ABSTRACT

Ready-mix concrete business as the part of the procurement chain in the construction industry is strongly influenced by the economic and social situation in Slovenia. The financial crisis has revealed all the weaknesses and forced the industry into huge transition that left behind a mass of companies at the edge of survival. The purpose of this study is to investigate and examine the most appropriate strategic change framework with some proposals for the selected organization. After the analysis of current situation a desk research was made to explore different strategic change models. In the next stage the study adopted a quantitative methodology using self-completing questionnaire to collect relevant data about customer values and requirements and a qualitative methodology conducting a focus group interview among company's management team to evaluate most important strategic change issues. New mission, vision, and core values were developed as the core strategic elements of new approach. On the basis of selected strategic model new strategy was transformed into a set of managerial projects. Conclusions of the study confirm that ready-mix concrete production is a commodity business that competes mostly on price and quality on geographically small markets. However, further analysis demonstrates additional opportunities when customers are segmented into more specific groups in view of their core businesses and specialities. In addition to regular ready-mix concrete production for general use, there is a possibility to provide individually developed concrete based solutions. All presented findings and conclusions that constitute a new strategic approach contribute to long term company stabilization, competitive advantage and overall performance.

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1. INTRODUCTION AND BACKGROUND

1.1. General

The study explores the strategic issues of a construction organisation specialized in ready-mix concrete business that has to be evaluated upon the research and analysis to provide new strategic direction and strategic change implementation proposal. Bordax is a construction company in Slovenia specialized in ready-mix concrete production and distribution. The author

of this research project is its general manager with ten years experience in the field responsible for long-standing company performance. Due to the current situation in Slovenian construction industry Bordax needs new strategic approach and business direction to survive and achieve long-term success. In addition, during the economic downturn many problematic aspects flourished among the industry and forced organisations to adapt and change their business approach.

1.2. Slovenia

Slovenia is a small country located between Central Europe and the Balkans (CIA - Central Intelligence Agency, 2013). It established independence in 1991 when it separated from Yugoslavia (Prunk, et al., 2011). The new political situation forced the nation to transfer the whole industry toward European markets. The economy adapted and started to grow constantly above 4% annually. Industry was based mostly on local services and light industry such as automotive and pharmaceutical industry, as well as information and communication technology (Prunk, et al., 2011). With the highest Gross Domestic Product (GDP) among national economies in Central Europe, Slovenia enrolled European Union and NATO in 2004 (CIA - Central Intelligence Agency, 2013). Further economic growth and stable political transition resulted in the adoption of EURO as a currency in 2007 (CIA - Central Intelligence Agency, 2013).

1.3. Construction industry in Slovenia

Similar to the national economy the construction industry collapsed after Yugoslavia failure (Chamber of Commerce and Industry of Slovenia, 2011). But the industry restored fast due to underfed Slovenian infrastructure and residential segment. The national motorway building program began in 1994, housing, business and shopping centres, power plants, wastewater treatment facilities and many other infrastructure objects had to be built (Chamber of Commerce and Industry of Slovenia, 2011). After 2004 the access to international capital became even easier because of to international capital markets accessibility. However, the financing of construction projects mostly relied on the local banking system resulting in undercapitalized organisations and investors. After 2008 the value of construction put in place, shown in figure 1, reached a peak at 4,71 billion, but rapid economy decline stroke the industry and all past problems arose (Grm, et al., 2012).

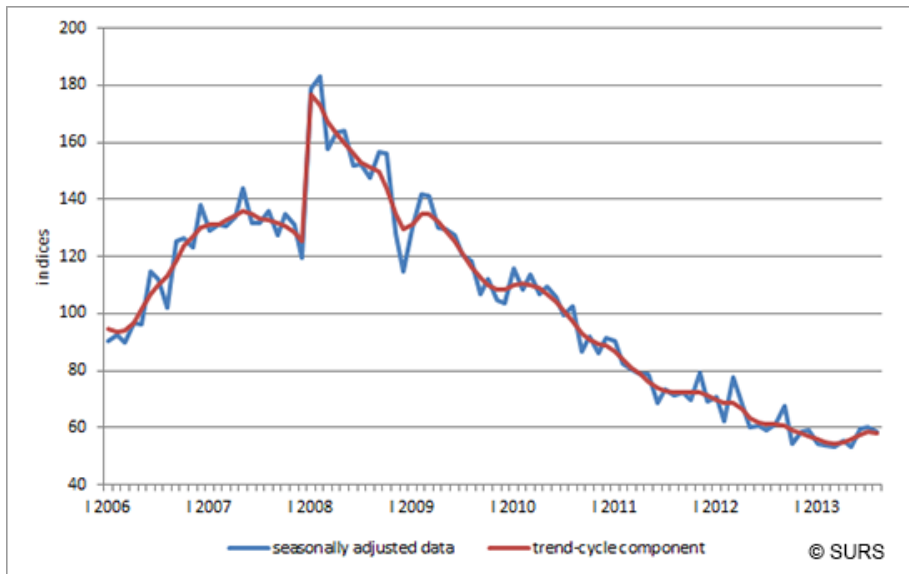


Figure 1: Real indexes of the Value of construction put in place (Demsar, 2013)

1.4. Construction company

Bordax is a small organisation specialized in ready-mix concrete industry that produces and distributes its main product in the central part of Slovenia. Because of technology requirements the concrete delivery is geographically limited to 50 kilometre circle around the concrete batching plant located at the edge of capital city Ljubljana. Concrete is a perishable product manufactured on demand and has to be delivered and poured at a construction site within two hours. The company with 13 employees and total revenue of 3,017,000€ in 2012 owns one concrete mixing plant with the production capacity up to 60 cubic meters of concrete per hour and seven trucks to deliver and pour concrete at construction sites.

Conservative strategy in the past by avoiding huge and high risk construction projects allowed the company to become recognizable and trusted business partner in 2012. However a collapsed market cannot provide any profitability and long-term prosperity to the whole industry, which lacks the liquid assets at very low production level. Ready-mix concrete industry fully depends on the construction sector that is currently in a deep recession. The rapid decline of the ready-mix concrete demand forces all competitors to decrease prices to sustain desired production. During the last three years of business Bordax has lost all the profitability although the production remains relatively high. Organisation management has to balance between the optimal production level, access to liquid assets, and price accepted by customers. The risk of unpaid goods sold is high as the whole construction industry lacks the financial resources to support operational cost and ongoing construction projects.

1.5. Company's market position analysis

According to Porter (2008) the company's position and performance strongly depends on its market position and relation toward direct competitors, suppliers, customers, substitute providers, and possible new entrants. Additionally, government policies also have strong influence on the industry as whole. Most powerful entity is presented by customers due to extremely low demand. They can easily get good prices for goods without payment in advance or payment warranty. Small investors and customers are still loyal to their concrete supplier, while the negotiations for businesses above 1,000 cubic meters of concrete put the end price at the highest bargain priority for the customer. Political and lobbying network can provide many business opportunities but it may be perceived as a step over the ethical and business transparency.

Many new entrants have stepped into ready-mix concrete business recently. Theirs most common strategies were based on the lowest possible price offering to customers. After three years the whole market faces sales price decreasing spiral that cannot be controlled anymore. Similarly to competitors, raw material suppliers for the industry lack the bargain power in procurement chain. Cement producers shrink the business and divest wherever it is possible. Bordax can choose among many raw material providers although it has to keep the control over the production avoiding too frequent replacement of essential materials such as cement and aggregates.

Concrete is most common building material in the world and there are many different implementations possible. However Slovenia has a great opportunity of untapped wood. More than 60% of national land is covered by forest while only a small part of houses is built from wood. There are no threats in a short-term period, but during next 30 years the concrete consumption will gradually decrease. Main reason lies in the values of Slovenian people. As stated in the Eurostat Statistical Book (2013) 68.7% of people in Slovenia live in houses, whereas the percentage of people living in individual houses in whole Europe stops at 34.4%. As the company's most important customer segment includes small constructors and individuals, such information presents important long-term trend of concrete consumption. Most common tool for analyzing internal and external performance factors is analysis of strengths, weaknesses, opportunities, and threats known as SWOT analysis (ProvenModels, 2013). Avoiding huge and risky construction projects has caused more stable and sustained business growth although not so expansive as in the whole construction industry. Consequently the company market position moves more toward individual residential segment and private

small investors' projects. As the industry shrinks and product prices decline the management has to adjust the business to new environment and business conditions. Bordax SWOT analysis described in table 1 targets issues that are part of the most important objectives of this research project.

Table 1: Bordax SWOT analysis (Bordax d.o.o., 2013)

Strengths	Weaknesses
<ul style="list-style-type: none"> - Stable and sustained production quality - Stable level of production and sales regarding the industry situation - Long-term partnership and many small customers with high loyalty - Low employees' fluctuation 	<ul style="list-style-type: none"> - Weak lobbying and political network - No experience in investments in civil engineering projects - Liquidity problems and lack of financial resources - Low business profitability and ROI
Opportunities	Threats
<ul style="list-style-type: none"> - Target a niche market on special concrete mixtures - Developing internal R&D division to implement new products - Acquire additional production plant 	<ul style="list-style-type: none"> - Collapsed construction industry in Slovenia that is unpredictable - High level of corruption - New entrants without any experience could step into business as there are many unused facilities - Volatile supply of fly-ash as scarce raw material for concrete production - High risk to close the sales without getting payed - Many companies go bankrupt daily - Financial systems do not support industry

Although partnership and low employees' fluctuation increase business stability, there is no experience in lobbying within political and construction investors networks to achieve huge public construction projects. However, the mentioned business segment can be profitable but ready-mix concrete providers are not powerful business actors to achieve higher revenues and positive cash-flow. As the construction sector transfers rapidly toward many new small companies it is hard to predict future business performance.

2. LITERATURE REVIEW

Change has become a permanent way organisations inevitably adopt to survive and sustain. Industry consolidations, mergers and acquisitions, and global competitiveness lead organisations to different competitive pressures and more strategic alliances (Balogun & Hailey, 2008). During economic downturn a pressure toward organisational realignment increases and organisations have to change their structure, systems, and processes to readapt their business approach as the environment turns around. Importance of organisations' strategies and their changes has the crucial role for organisations' future performance and

survival. The main features that influence a strategic change implementation are time that is available to implement the change and the extent of the change (Balogun, 2001). Two general types of change commonly and widely accepted in literature are continuous and episodic change. Balogun (2001) defines change types from the aspects of speed and scope and identifies the following four different types of strategic change: evolution, adaptation, revolution, and reconstruction (table 2).

Table 2: Types of change (Balogun, 2001)

		Extent of change	
		Transformation	Realignment
Speed of change	Incremental	<p>Evolution: Transformational change implemented gradually through inter-related initiatives; likely to be proactive change undertaken in participation of the need for future change</p>	<p>Adaptation: Change undertaken to realign the way in which the organisation operates; implemented in a series of steps</p>
	Big Bang	<p>Revolution: Transformational change that occurs via simultaneous initiatives on many fronts; more likely to be forced and reactive because of the changing competitive conditions that the organisation is facing</p>	<p>Reconstruction: Change undertaken to realign the way in which the organisation operates with many initiatives implemented simultaneously; often forced and reactive because of a changing competitive context</p>

Several authors explain the change of organisational culture and employees’ new values and behaviour as the most important stage of strategic change that must be undertaken although it takes time (Kotter, 1995). But gradually implementing change that keeps going on for a longer period tends to become less in line with the environment and political aspect of decision making becomes more powerful than intellectual (Johnson, 1992). At one moment more rapid and fundamental change must occur and such change increases the resistance while rearranged systems, structures, and processes replace the way people used to do their job (Johnson, 1992). Additionally, an important role of strategic change implementation consists of the power of change managers. Often outsourced consultants provide more efficient and apolitical way to speedup the change process (Balogun, 2001). Besides they tend to get more relevant information regarding the organisation culture and employees’ willingness to transform. In fact, the change is not about changing systems and structure; it is about changing people (Balogun, 2001). This is the reason why many theorists mostly focus on organisational culture.

2.1. Theories, Frameworks, and Models

According to Rajagopalan and Spreitzer (1997) many authors try to define and explain strategic change and its implications, but still there are many contradictory findings with wide range of understandings about strategic change. They define the strategy change as a difference in the form, quality, or state over time in an organisation alignment with the environment (Rajagopalan & Spreitzer, 1997). Julia Balogun (2001) argues that there is no simple way and general framework that will work in all cases of strategic change. Several authors agree that strategic change is the most difficult, dangerous, and doubtful process to initiate a new way of doing business (Kotter & Schlesinger, 2008; Tichy, 1982). Strategic change leadership requires a clearly defined vision with concrete objectives and achievable goals to develop strategic change program and its implementation (Macmillan & Tampoe, 2000). All mentioned aspects of the strategic change lead to many different perceptions, approaches, and theoretic models that are briefly described below.

Kurt Lewin (1951) defined change as a three step process with unfreeze, change, and freeze stages and provided ground theory for many new strategic change models that appeared later. Unfreeze stage presents preparation for change and first step out of the comfort zone toward the next stage of implementing change. This often confusing stage ends after the change process stabilization and moves into the last stage of the change process. The theoretical perspective of organisation's transition can also be explained with technical, political, and cultural ongoing dilemmas each organisation has to adopt and manage (Tichy, 1982). According to Tichy (1982) managers too often target just small components of the overall change problem and behave more tactically than strategically. They tend to use the same levers based on their past experience irrespective of the nature of the problem. During the 80s managers established their strategies through changing organisational structure mostly but they rarely succeeded. McKinsey 7S strategic model went beyond organisational strategy and structure that provided seven different influencing factors for successfully implementing strategies (Waterman, et al., 1980). Although three hard elements strategy, structure, and systems were important, the model addressed also additional four soft elements such as skills, staff, style, and shared values. Burke and Litwin (1992) target organisational change from transformational and transactional sets of variables and leadership set of concerns depends on the scope of required change. For minor step-by-step adjustments a transformational layer takes most of management concerns while rapid change requires leadership to conduct the transactional change approach (Burke & Litwin, 1992). Nowadays many consultants providing support and advice in the field use Kotter's eight steps of leading change model as the most appropriate due to its simplicity and clear linear path,

but leading change does not mean implementing tasks just step by step (Kotter & Schlesinger, 2008). Most concerns target resistance among company's employees and provide different managing methods to balance through the change process. The management team has to create high motivation among employees and the need of urgency to speed up change. Celebrating small wins on a change path represents a strong motivation factor, although the whole transition takes time to adapt the way people do their job. Quite a different perspective to strategic change is described by change kaleidoscope framework that was developed to help managers design a context sensitive approach which can be balanced during the change process (Balogun, 2001). Kaleidoscope does not provide general framework to be used in all cases as it can help managers develop necessary skills to analyze, judge, and balance their ideas toward desired objectives. There is no linear path described, but many different aspects of the process influence each other. As too many strategic change models are either too academic or too simplified for practical usage integrated approach based on five dimensions was developed by Victor and Franckeiss (2002). They argue that both future and organisational change cannot be easily defined, so change has to be managed proactively including five dimensions of integrated strategic change process (Victor & Franckeiss, 2002). The five dimensions of change is a cyclical model that effectively puts together all the aspects of strategic change within organisation and establishes leadership and communication as most powerful and crucial aspects of strategic change (Victor & Franckeiss, 2002). Due to many failures during strategy implementation process a lot of authors try to develop strategy implementation model that goes beyond organisational structure which is preferred dimension of formulating strategic change by many managers. 5P's strategy implementation model targets purpose, principles, processes, people, and performance as five important functional stages that are further defined in a more detailed way (Pryor, et al., 2007). Authors argued the effectiveness of their proposal by feedback from each process stage; performance measurement system and its connectivity to many other management tools and theories such as SWOT and Balanced scorecard. All models' paradigms and specific areas must be aligned with each other to achieve maximum efficiency and effectiveness (Pryor, et al., 2007).

A variety of change models described different concepts and perspectives that cannot be simply put together into a more sustainable generic theory model. Timeline of theories and their occurrences pictured in figure 20 illustrates the connection between the speed and scope of environmental changes and number of different theories appearances. Due to rapid technology

development and globalization organisations need to respond to the unpredictable changing environment with flexibility and continuous organisational re-adaptations.

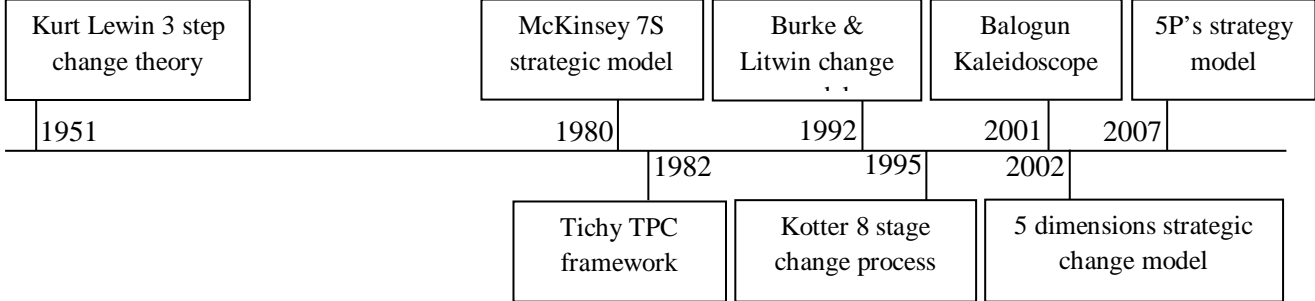


Figure 2: Timeline of strategic change theory models and frameworks

At the end of twentieth century industrial globalization forces organisations toward more rapid and frequent changes and many new theories and models appear. Due to many practical problems in managing change, theory models tend to connect academic research and practical approaches (Victor & Franckeiss, 2002). The five dimensions model by Victor & Franckeiss (2002) proves as a robust cyclical framework that can be managed. However, the main five dimensions are relatively generalized and management can evaluate them regarding the particular case. The more critical aspect should target the possibility to adapt strategic approach easily, which can turn the change process backward. The strategy re-adaptation during the change process should be carefully discussed before its implementation to avoid the case when management put a desired vision and strategy in line with already achieved strategic results. A more detailed model definition is evaluated by 5P's strategy model that can be supported by other managerial tools such as SWOT and Balanced scorecard (Pryor, et al., 2007). A cyclical model is developed on different organisational levels to keep the change process under strict control. Besides, the flexibility is still possible within strategic change directives led by top management. As the model is relatively complex its form can be adjusted to the particular change project according to its size and urgency.

All strategic change frameworks described in the chapter address terms of speed and extent of change as main features that influence the way strategic change is implemented. The change implementation is finished when all new systems, structures, and procedures are deeply adopted into organisational culture (Kotter & Schlesinger, 2008). Although all described models give different perspectives to strategic change they all contain important parts of organisational culture issues, for example communication, symbols, power structures, and organisational

culture. Without having an idea where to go and what to do every strategic approach and direction looks fine. The vision has to be clearly transferred to achievable and shared objectives.

3. RESEARCH METHODOLOGY

The literature review and the background presented in previous chapters address profitability and liquidity as main issues influencing organisation's future survival and lead to the following research questions:

- How to stabilize financial part of the business and increase value of liquid assets?
- What are customers' priorities, values, beliefs, and perceptions about ready-mix concrete usage?
- Are there any new uncovered product segments or new markets to enter?
- What are the issues that make the company recognizable and increase its competitive advantage?
- What are the strategic change issues the company has to fully adopt and implement to survive?
- What measures should be taken to monitor and control the change progress?

3.1. Research strategy and design

Research strategy consists of both a cross-sectional quantitative method used in self-completion questionnaire for a representative group of customers and a focus group interview as a qualitative method of both open and close questions interview taken within the company management team. The main research objective is to evaluate the strategic change program within the company management team upon the findings of the quantitative research approach that is used to collect relevant data about customer values and behaviour.

A simple random sampling method was used to create a relevant sample of 200 respondents from the representative population of 42,852 construction companies in Slovenia. The research population was extracted from the census by Standard Classification of Activities (Statistical Office of the Republic of Slovenia, 2013). The online questionnaire was developed through the internet based tool designed at the Faculty of Social Sciences (www.1ka.si) and was accessed by individual invitation letters sent to all the respondents of the research sample. It mostly consists of closed questions that do not require many respondents' activities and decreases the time needed for fulfilment. However, some open questions can be carefully included to achieve wider customer aspect to the research topic.

Very important part of primary data research consisted of a qualitative method used after the analysis of self-completion questionnaire. Due to the nature of the literature reviewed, an open discussion moderated by researcher generated wider perspective to the research objectives. According to Bryman and Bell (2007) the focus group method is a form of group interview on a specific topic where respondents are invited in a small number by focus group moderator. Four managers with different professions and responsibilities constitute the company's management team and they were all invited to cooperate in focus group interview moderated by general manager. According to Eliot & Associated (2005) a moderator's coordination plan with all research topics and objectives has to be defined and evaluated to achieve the focus group conducting process.

4. ANALYSIS AND FINDINGS

Before focus group interview with company middle management the online questionnaire among a relevant sample of customers was conducted. While the population sample included 200 respondents, 27 of them were unreachable as their electronic mails were rejected. From 83 questionnaires received 49 are valid. Although only 23 of received questionnaires are fully filled in the gathered data is relevant to evaluate some of the findings upon the analysis. According to Baruch and Holtom (2008) average response rates of surveys collecting data from organisations are 35.7% with a standard deviation of 18.8%. However, response representativeness is more important than the response rate (Cook, et al., 2000). Most of the respondents are organisations within 42.2 Construction of residential or non-residential buildings as they present 66% of respondents. Another important group of organisations presents 17% of companies specialized in a variety of different construction activities (43.99 Other specialized construction activities). Although only a small part of them frequently purchases ready-mix concrete they constitute an important customer segment that should be analyzed separately.

The most important part of primary data research includes evaluation of customer values, beliefs, and perceptions. As shown in figure 3 the most significant issues for customers at the moment of choosing a ready-mix concrete provider are price and quality of concrete.

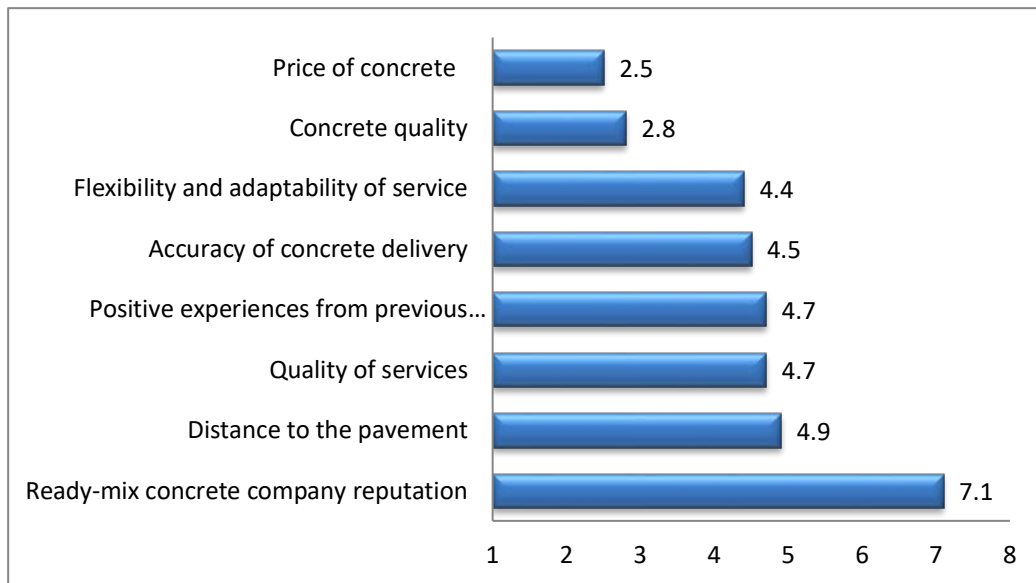


Figure 3: Customers' values

The whole construction procurement chain is based on a ratio between price and quality. As pictured in figure 25 there are noticeable differences between first two issues and all the others that put ready-mix concrete providers in subordinate position against their customers. All the other issues such as good services and concrete producer reputation are not very important when choosing a supplier. Customers certainly do not value concrete provider's reputation at all and every new competitor presents a threat to increase the downward pressure on sales prices. Customers easily change a concrete supplier without any additional costs and they are not loyal to only one ready-mix concrete supplier. While ready-mix concrete producers have to balance their production and return on sales they tend to decrease price when concrete consumption declines, sometimes even below their production costs. All findings about customer values and requirements from the survey demonstrate the features of ready-mix concrete that are similar to commodities. A commodity product is defined as a product of uniform quality with a low degree of differentiation that is easily interchangeable by substitutes of competitors' product (Lager & Blanco, 2010).

The analysis shows many similarities to the Chad Syverson (2008) Market research who argues that the combination of high transport costs and strong dependence on the local construction sector imply the ready-mix concrete market is not the national unit as it is more a collection of local geographic markets. Further, a demand for ready-mix concrete strongly depends on the construction activities only in a particular market. However, stronger competitiveness among concrete producers that results in decreased average prices of the local ready-mix concrete industry cannot contribute to the re-growth of the local construction industry (Syverson, 2008).

Companies specialized in construction activities (SIC 43.99) have quite different requirements as they put product quality at the top of their priorities (figure 4). In addition to the price of concrete the distance of the concrete plant to the pavement and accuracy of concrete delivery is also important. These companies are extremely specific and have diverse requirements. Narayandas (2005) argues that in business markets, almost every customer needs a customized product. Although the ready-mix concrete is a commodity, there are different segments of customers with different needs.



Figure 4: Comparing customers' values by different groups of Standard Classification of Activities

Concrete quality and price are still the most important issues that remain the same but in the opposite rank. A very significant issue when dealing with special concrete mixtures are on time and continuous concrete delivery to the construction pavement. Technology requirements about industrial pavements are strict about the implementation process and smooth operations to achieve high quality end product. Each delay in concrete delivery can result in top layer cracking (Bordax d.o.o., 2013).

Low negotiation power toward customer forces concrete producers taking high business risk to stay on the market hoping to survive when they let their customers delay payments without any obligation. At the same time customers, especially large constructors, have to obtain bank warranties for every public investment. During financial crisis banks tend to increase costs of their warranties and construction companies have to keep a big amount of their cash as a credit for the warranty (Renar, 2013). All those investment requirements further reduce companies' effectiveness and financial stability. Only 18% percent of ready-mix concrete is secured for the payment by bill of exchange, however it is not a highly appreciated warranty system in daily business.

Compared to the population size nearly 7% of customers occasionally purchase special concrete mixtures. Yet, each particular product mentioned in the questionnaire requires a different marketing and technological approach. There is an opportunity that is also argued by Copher (1995) to step out from the production of concrete as a commodity and move toward providing highly sophisticated solutions.

As the next step in the primary research focus group interview was taken to upgrade the primary research. All five members of Bordax management team attended to evaluate and analyze the industrial situation, company SWOT analysis, and findings from primary data research results. It was moderated by general manager included a brief presentation of the research project, objectives, rules of conducted focus group, and the most important issues regarding the construction industry in Slovenia.

One of the important findings is customer relationship that has to be managed on the long term and must include all employees in the company. Personal relationships with contractors and customers based on the company's core values during years are one of the strongest business drivers in the industry (Syverson, 2008). All members support Syverson argument about relationship capital. Results on average are better graded from customers' perceptions than from company internal staff as they illustrate that employees should be more self-confident and trusting to the most important customers.

Members put their arguments forward quite differently depending on their professional perceptions, but most of the importance was put on product and service quality. Further, poor internal and external communication disrupts the quality because all the production and implementation is not optimized and small mistakes cause quality failures. Better educated and more experienced employees in all areas are an important factor to increase quality of the

concrete especially when there are some new more sophisticated concrete solutions to implement.

5. CONCLUSIONS AND IMPLICATIONS

According to primary research findings and environmental impact there are several features influencing the strategic change model composition and its priorities. Despite the construction industry depression Bordax performance remains relatively stable. There is enough time for detailed consideration of company's vision, mission, and core values. Construction industry is in a rapid transformation and government has no vision and no investment strategy of public infrastructure for the next few years. During strategic change process the company needs high level of flexibility to adapt to possible external changes in the construction market. Besides, a strategic change model must be reliable to ensure that organisation's core values, which are delivered through business to customers, will be without any errors and mistakes. Consistency of direction and constancy of purpose are essential features of every change management team (Victor & Franckeiss, 2002). Due to the organisation size, structure, and relatively simple processes there is no need for a complex and extensive change model. The clarity and efficiency of all change procedures and policies are more important. Victor & Franckeiss (2002) argue that many change models tend to be either too simplified or just too academic. As mentioned in primary research customers are divided into more target segments. While some of them mostly prefer low price of concrete irrespective of the quality other customers demand individually developed concrete mixtures with special characteristics. Strategic change model has to provide a possibility to manage different strategic directions for particular product and market segments. In addition, change management specifically needs feedback and relevant information about the change process performance and its direction (Pryor, et al., 2007).

Through the evaluation of research findings The Five Dimensions Strategic Change Model by Viktor & Franckeiss (2002) appears as the most appropriate model that is suitable for this particular case. Its flexibility and cyclical form are main model benefits that provide an effective management tool for practical use. The change model is simple and transparent. However, it covers all key functions of every effective strategic change implementation.

5.1. The five dimensions of strategic change

According to Victor and Franckeiss (2002) the strategic change is defined as a cyclical progress of five dimensions that consist of all important activities and aspects to implement new strategic direction into organisation culture that result in desired business performance (figure 5).



Figure 5: General description of Bordax strategic change model

(a)

Direct dimension provides the organisation’s overall direction and purpose and consists of company’s vision, mission, and aspirational value statements (Victor & Franckeiss, 2002). Bordax takes the leading position as the most sophisticated ready-mix concrete producer in the market. While fully standing behind the product quality they try hard to perform all given promises to customers. There are two strategic directions within overall business strategy explained. Basic ready-mix concrete production consists of cost-effective strategy as both the process and business structure remain more or less the same while individually developed special concrete mixtures as a new special concrete production are fully developed and implemented through the differentiation strategic approach. Both strategies are interdependent because each particular change in one of the product lines influences the other’s performance in a positive way.

Describe dimension translates the vision and mission into enabling strategies and operational strategies (Victor & Franckeiss, 2002). Operational strategies are tied to company's main functions defining every strategic objective more narrowly. Cost-effective strategy is concerned to balance between optimal sales price and cost of production because the basic line products are fully standardized and hardly differentiate among competitors. Marketing strategy must also balance between the product price, payment conditions and risk of business. Internal quality control has to be reorganized into research & development department to take a more proactive approach. Additionally to its basic activities researchers in laboratory have to develop new more sophisticated products with special technical requirements. In cooperation with marketing strategy and individual customers concrete based developing clusters have to be established where procurement chain is optimized to provide sophisticated solutions directly for each particular customer. Non-shrinking concrete, visible concrete, and acid-resistance concrete are no more just products, but an important part of individually developed solutions. The whole production, operational processes, and structure must adjust to new technology and organisational requirements.

Define dimension is concerned with the practical applications of the strategies to establish approach consistency (Victor & Franckeiss, 2002). Each organisation department must have established project management for each of the proposed projects or applications to monitor its progress and financial structure.

Next dimension is defined as *Deliver* where all business strategies have to be operationally defined to ensure that all the processes and procedures are implemented in view of their strategic directions and objectives (Victor & Franckeiss, 2002). Open communication that is consistent with management behaviour is crucial for the strategic change success.

Develop dimension is defined as the evaluation and monitoring stage of the change process that has to review the business strategy and take appropriate changes in the case of unwanted circumstances (Victor & Franckeiss, 2002). Ongoing analyses like SWOT analysis and frequent scan of the environment are activities that support proactive approach of risk management to keep the change ahead. Top management's most important rule is to communicate and behave strategic change approach and analyse, monitor, and lead all the projects and programs in progress. Every turn of the strategic change cycle is an opportunity for management to scan, analyze, and propose new project and programs.

Section 1.02

5.2. Conclusions and implications

Taking into account the presented findings upon the primary research and analyses of environment there are some of the major conclusions that have to be described in addition to the strategic change model evaluated above.

- Every successful change requires a consistency of direction and a constancy of purpose in the form of strong leadership that leads the direction and transforms new behaviour deeply into organisational culture.
- Individual coaching, mentorship and outsourced consultancy are some of the possibilities every manager has to be prepared to apply at least partially for both personal growth and company's future performance.
- Mostly low educated employees in the company who are very different could easily become an obstacle when their daily jobs turn around and business becomes unstable without clearly defined processes and structure.
- Ready-mix concrete is a commodity that requires a reasonable marketing and technology approach. While standardized production requires strict implementation of low-cost strategy, individually developed concrete mixtures could achieve higher revenues with well designed differentiation strategy.
- A very important short term objective is to stabilize company's financial performance through marketing and sales strategic program including customer relationship management. Strictly defined sales conditions and payment requirements customers have to satisfy consistently are essential part of new sales approach.

New strategic approach improves company's overall performance, stabilizes financial and liquid resources, and increases its competitive advantage due to more specific and unique market position. During the research some of limitations and recommendations appeared and they are briefly described below.

- A combination of low response to the questionnaire sent and huge industry transition are reasons why some of the results are not relevant for more precisely defined conclusions. To increase reliability of presented findings the company's management should perform similar market research more frequently to measure customers' behaviour through longer time period.

- Findings related to special concrete mixtures represent a starting point for further individual developing project work with clearly defined and measured objectives on the basis of established clusters of cooperation organisations.
- While management has the responsibility and power to implement desired strategy there is a liquidity issue outside of direct influence. The lack of liquid resources strongly depends on the environmental conditions like payment culture, payment policies of the most powerful entities, and credit and financial resources health.
- Despite its limited competences the government should provide stable environment with financial and public support to the construction industry as one of the major industries in the country.
- Chamber of construction industry must evaluate all industry priorities and escalate problems construction companies face daily and proactively cooperate with all entities that have influence on development of the construction market.

There are no simple and effective solutions to return as a positive result shortly since management must strictly keep the direction toward new desired vision, motivate and positively influence all entities that are part of the new strategic change program.

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