

# ENACTING COMPETITIVENESS: AN EMPIRICAL INVESTIGATION

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*The paper draws from three case studies of regional construction firms operating in the UK. The case studies provide new insights into the ways in which such firms strive to remain competitive. Data collection methods included semi-structured interviews, informal interactions, archival research, and workshops. The initial research question was informed by the resource-based view of competitiveness and an extensive review of construction-specific literature. However, emergent empirical findings pointed towards the need to mobilise alternative theoretical models that emphasise localised learning and embeddedness. Sustained competitiveness was found to rest on the way de-centralised business units enact ongoing processes of localised learning. Once business units have become embedded within localised markets, the essential challenge is how to encourage continued entrepreneurial behaviour while maintaining some degree of centralised control and co-ordination.*

**KEYWORDS:** embeddedness, localised learning, organisational structure, regional contractors

## INTRODUCTION

Improving the construction industry's competitiveness has long been of interest to the international construction management research community. However, a systemic bias towards positivist and quantitative research approaches has led to a recurring fixation with attempts to define competitiveness and then to measure the underlying determinants as if they were objective characteristics. Much of the existing literature aims to compare and explain different countries' success in the international construction market. Unfortunately, such research is of limited relevance to firms which operate at a regional level within domestic markets. Also, there remains a noticeable shortage of empirically-grounded research into the way in which competitiveness is conceptualised and enacted in real world situations.

## UNDERSTANDING COMPETITIVENESS

The most popular theories of competitiveness as currently mobilised within construction management are briefly reviewed and critiqued. Firstly, the theory of competitive advantage (cf. Porter, 1980) are frequently applied to view competitiveness in terms of how construction firms position themselves in the market place. It focuses primarily on the importance of exogenous factors. However, Porter's work displays little interest in the contextualised processes through which competitiveness is actually enacted.

There are other theories that focus on endogenous factors. Particularly important are the resource-based view (RBV) (e.g. Barney, 1991) and the dynamic capabilities school (e.g. Teece *et al.*, 1997). The literature on RBV emphasises the firm-

specific unique resources that enable firms to become competitive that cannot be replicated by others. As an extension of RBV, the dynamic capabilities literature emphasises the ways in which firms continuously reconfigure their operating routines in responses to changing environments. Both literatures have recurring definitional problems about the distinctions between resources, routines, capabilities and competences. The existing mainstream literature provides few insights into *how* such capabilities are enacted.

During the initial stages of the empirical research, interviewees repeatedly emphasised the importance of relationships and the need to become established in localised markets. This resonated strongly with established concepts of localised learning and embeddedness within the discipline of economic geography (cf. Maskell *et al.*, 1998). The discourse surrounding localised learning and embeddedness emphasises that competitiveness is highly dependent upon the ways that firms embed themselves in local contexts and develop close relations with other local stakeholders. In short, firms remain competitive through a continuous process of localised learning that enables them to become embedded in localised markets.

## RESEARCH METHODOLOGY

The adopted research methodology rests on a 'becoming ontology' which focuses on processes of enactment rather than any desired end state of 'being competitive'. The adopted methodology also followed the principles of inductive case-study research described as 'iterative grounded theory'. Knowledge of the accepted literature of competitiveness shaped the initial research design, but emergent empirical findings caused fresh

theoretical perspectives to be mobilised. The research comprised three case studies of regional construction firms. Each case study was initially developed from a series of semi-structured interviews with senior managers and directors of the company. The interview schedule was designed to explore the ways in which individual directors and managers sought to conceptualise how the firm had remained 'competitive' over time. Data collection was further enhanced by informal interactions, archival research, and workshops.

## CASE STUDIES

**Case study 1:** Forest Construction was established in the early 1970s as a civil engineering contractor. Its turnover has grown five times over the last ten years. Forest attributed such success to its long-term investments in building a network of regional offices. Each regional office operated as an autonomous unit led by a director. The role of the group board was limited to monitoring the regions' progress against agreed targets. Currently the board recognises that particular market niches developed within the regions could usefully be projected nationally. Forest's business structure therefore combines a regional structure with two specialist divisions. The interviewees emphasised the importance of localised networks and staff based within both regional markets and specialist sectors.

**Case study 2:** Southern Construction was established as a civil engineering contractor in the mid-1960s. Its turnover more than doubled over the last ten years, especially in the social housing business. Southern attributed the success to its long-term investments in developing specialist capabilities and maintaining its reputation and close relationships with local housing associations. Southern is currently structured into four specialist divisions which operate across several area offices. Each area office has its *modus operandi* that fits the sector it serves. The company also set up a regional office in London to demonstrate presence to London-based clients. The establishment of the London office shows a trend towards adding a regional dimension to its current.

**Case study 3:** Northern Construction was established as a civil engineering contractor in the early 1940s. The company recognised early the waste management sector as a growing market. Northern sought to partner with overseas waste technology consultants who were seeking local construction partners. This enabled Northern to position itself as a leading contender within the sector. Now Northern is structured into three specialist divisions under a centralised-management model. The company recognises that a degree of autonomy for its existing satellite offices

is essential to facilitate greater entrepreneurial behaviour in exploring regional business.

## CONCLUDING REMARKS

The insights into how three contracting firms enact competitiveness resonate strongly with notions of localised learning and embeddedness. The interviewees emphasised repeatedly the importance of developing good relationships with local players, and also the importance of company reputation. Further emphasis was given to the need to learn the necessary *modus operandi* for specific sectors and local markets. The development and maintenance of situated networks of relational ties is crucial. The overriding storyline focused upon the ways in which different business units seek to embed themselves in local communities or in specialist sectors in order to leverage and secure opportunities. The research further revealed the way in which contracting firms operate in a state of continuous adjustment between a regionally-based structure and a structure based on specialist divisions. This process of continuous adjustment is the means by which such firms are able to continuously adjust to changing markets. The empirical findings suggest that a de-centralised structure is essential in enabling multiple business units to become embedded within local markets or specialist sectors. A significant degree of autonomy is required to facilitate entrepreneurial behaviours. The findings also demonstrate that the group board had to maintain some degree of central control and coordination. Of particular interests are the tensions and challenges involved between autonomy of operation and the need for some degree of centralised control. Maintaining an appropriate balance between responsive entrepreneurship and constrained risk exposure is of central importance to the way in which contracting firms maintain competitiveness.

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