Strategy Development and Implementation amongst SMEs in Construction:

a case study approach of Greek firms

by

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[1] Small to Medium Enterprise
[2] Small to Medium Enterprise in Construction

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Abstract

The strategy development in the SMEs has recently received attention; however the majority of those researches are either judging the strategy or the lack of it, or trying to apply one of the existent strategy theories. All of them result to some level of failure. It is argued here that in order for any theoretical application to be fruitful, an understanding of their actual practice is necessary, so this research seeks to track the process of strategy development in small to medium enterprises in construction (SMEC).

Based on semi-structured interviews, it tried to capture both managers' perception regarding strategy development, and the real processes, to secure some practical use of the findings for the firms. The outcomes recognise the fundamental distinction between SMEC seeking growth and those seeking survival with sufficient returns and identify a common pattern in strategic vision development, as issue recognition and respond based on intuition and research, affected mainly by local networks. They also indicate the importance of implicit and unconscious processes, other than the manager's perception, related to the firms' rate of growth and based on the firms' attitude towards change in relation to its current capabilities. Stakeholders of those processes are also identified.

key words: SMEs, construction, strategy development, emergent, intuition

word count: 11.442

1. Introduction

Small to Medium Enterprises (SME) have proved of increased importance for the economy, especially in terms of employment. In particular, construction is dominated by small firms as a consequence of the sub-contracting trend. SMEs display some distinct characteristics derived mostly from their restricted size. Yet, this distinctiveness, has only relatively recently drawn the interest of the research agenda. Although sharing common features, SMEs should not be conceived as a static group of firms but rather as a stage to the evolution of the firms.

An important issue for SMEs is strategy development[3]. Literature and empirical research, highlights the inadequacy of corporate strategy theories and the lack of a theory that takes into account the special characteristics of the small firms (Miller et al, 2001). In construction, which is dominated by SMEs, researching those issues proves fundamental. So this research takes a practice and not goal perspective on strategy and is dedicated in identifying and discussing current practices of strategy development and implementations in SMEs in construction (SMEC), as a means to better understanding the process and those from the SMEC distinct characteristics that affect them.

Consequently a first objective would be to identify through reviewing the existing literature the significant characteristics of small firms that may have an effect on the strategy development and implementation process. By analysing the data afterwards, it would be possible for general patterns to be identified, truly critical characteristics to be recognised and the relationships between them to be established. The last objective would be those patterns to be compared and contrasted to relevant theory, to provide useful insights on how to improve the process and avoid pitfalls. The selection of the relevant theory to be presented will be again based on the existing literature covering the strategy subject in small firms.

So, the first part of the paper aims to set the context of the research, by defining and describing SMEs and their collective, the SME sector, while

[3] The term development is used instead of formulation or formation, which are related to the planning school and emergent strategy respectively, for misunderstanding to be avoided.

further on the distinct role and characteristics of SMEs in construction (SMEC) are discussed. Then, strategy in the SME context is introduced, through reviewing the existing literature on SME strategy development and implementation, drawing upon theoretical and empirical studies, which concludes by identifying concepts of strategy and schools of thought relevant to the SMEs' strategy are identified. This assists in forming several constructs with a possibly significant role to SME strategy development and implementation which however is to be tested in the primary research.

The primary research has been based on a qualitative approach to study the case of SMECs. However, it has been hindered extremely due to issues relevant to the SME context, which are analysed in the consequent chapter, along with their implications for the research validity. This postulated a shift from the UK market as a SMEC case study to the Greek market instead, where the SME context was easier to be accessed. Happily, the research was not altered since Greece is a country dominated by small firms with a powerful construction industry, representative especially of the South Europe Countries.

2. Literature Review

2.1 The Small to Medium Enterprise (SME) *A Definition*

The term small business is not easy to define and certainly differentiates between industries especially between manufacturing and service. The dominant classification is either according to trade or number of employees. However Drucker (1989) argues that number of employees although relevant it is not itself decisive and attempts another categorization based on the management structure, according to which "a small business is distinguished from the one-man proprietorship by requiring a level of management between the man at the top and the workers" although this managerial work does not require full-time preoccupation. He separates the medium firms which he calls "fair-sized" by the fact that the managing director role has become a full-time occupation detached from the "top operating job" and is escorted by some formal organizational structure, while in a large firm context, the managerial responsibility is too extensive to be handled from a single person and thus a managerial team is assigned. Similarly Scott and Bruce (1987) observe a correlation between the top management role, the managerial style and the organizational structure, throughout the firm's stages of growth (table_1). Storey (1994) argues that in practice that correspondence is not strict, because firms may combine characteristics that are supposed to respond to slightly larger or smaller firms. That is indicative of the risk of categorisation.

Table_1: Management role and style in the five stages of business growth			
Stage	Top management role	Management style	Organization Structure
Inception	Direct supervision	Entrepreneurial, individualistic	Unstructured
Survival	Supervised Supervision	Entrepreneurial, administrative	Simple
Growth	Delegation/co-ordination	Entrepreneurial, co-ordinate	Functional, centralized
Expansion	Decentralization	Professional, administrative	Functional, Decentralized
Maturity	Decentralization	Watchdog	Decentralized functional/product
Source: Scott and Bruce (1987) in Storey (1995)			

Indeed studies of small firm's existence often use a rather static approach to small firms as a distinct alternative to the large ones. The fact is that being small is just a stage in the process of getting big (Penrose, 1995); a process that although does not follow a specific pattern or rate, offers dynamism and a perspective of future evolution. Perceiving a firm as permanently small can only hinder its growth. Therefore this research although in terms of 'numbers of employees' follow the small firm's sector, it will be considered to study small to medium enterprises (SME).

2.2 The Small to Medium Enterprise Sector

SME sector in Europe is constantly getting stronger (box_1). Regardless of their increasing importance, until relatively recently, research failed to identify and comprehend the distinctive nature and unique kinds of research problems small firms present. (Beaver and Prince, 2004)

Box_1
The Observatory for European SMEs (2003) between 1988/2003 report an increase of 0.2 in the employment amongst SMEs in comparison with a decrease of 0.6 for the large firms and a real value added average increase of 1.3 in contrast to a 0.7 by the large once. That can partially explained by a trend between the large business community, towards downsizing, focusing on core business and outsourcing other activities that emerged from the increased demands of the consumers, the greater competition, the internal need for improvements in efficiency and flexibility, along with a shift to the shareholders' preference from diversified businesses towards self-managed personal portfolios (Johnson et al, 2006). Such a -still ongoing- process has indirectly created entrepreneurial opportunities and is expected that in the near future the levels of employment and of the introduction of new products and production processes will surpass those of large firms (Observatory, 2003)

That distinctiveness springs from its unique organisational philosophy, which may not be homogeneous for all SME however presents some common features. Its culture is **either power or task oriented**, that is aggressive and independent or flexible, adaptive and sensitive, respectively. Family firms or founder dominated organisations tend to retain a power culture longer (Handy, 1999). Entrepreneurial culture is also common between those firms pursuing a fast growth. They also tend to have a less formalised **flattened horizontal structure** that is often more time efficient and productive than the traditional vertical organisation which requires significant amount of coordination and managerial ability (Hitt and Reed, 2000). SMEs are also

distinct for **their lack of systems and procedures** in favour of norms and routines, and intuitively informed thinking and action. That philosophy along with the **significant restrictions** (geographical, economic, skills, low barriers of entry) they experience due to their size (Johnson et al, 2006) differentiates them also in terms of their objectives, management style and strategic activity.

2.3 The Small to Medium Enterprise in Construction (SMEC)

Construction is between those industries that are dominated by small firms, it is also resistant to the shift to large firms. According to Mr Papaioannou[4] (2007) 97% of the construction firms employ less than 20 people and 93% of them less than 10 while "construction is the larger employer in Europe". Nevertheless, as Morton and Jagger (Miller et al, 2001) recognize, small firms are merely seen as part of the fragmentation of the industry created by the structure of demand and considered as large ones in miniature. That is an expression of the trend towards outsourcing mentioned above (box_2). The reasons are slightly different, but similar. Instead of a corporation focusing on core business, there is a single business focusing on core activities of the value chain (i.e. those activities that together create a product or service) (Porter, 1985), which in turn is transforming to a value system (i.e. the set of inter-organisational links and relationships, necessary for the production process) and in the case of construction where every project is unique and so its projects coalition, to a value network (i.e. a value system in which activities are offered interchangeably from several members of the network) for reasons of specialisation and thus best value in each activity (Johnson et al, 2006). In construction outsourcing is now the main trend for the main contractors, however it was introduced mainly on the base of spreading the risk between different firms and little attention was paid on its principles, thus it has not caused the specialisation expected to secure the superior value while it striped

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Box_2:

Although conceiving and managing small firms as large have been proved ineffective and inefficient, the opposite has created a whole movement in the large firms in turbulent environments that conceives entrepreneurialship as an approach to management and strategy, with emphasis in the continual development of the firm that attempt to maintain competitive advantage through quick response to the changing market demands and fast adaptation to changing technologies (Hitt and Reed, 2000)

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[4] honorary president of the European Construction Industry Federation (FIEC)

firms from their critical assets embedded in their skilled labour that took off. It also caused a confusion regarding the size of the firms and thus research.

Miller et al (2001) argues that as small firms in construction should be considered those with between one and 24 directly employed staff which is also conforms to the UK National statistics categorization (Cooke and Williams, 2004). However, now a clarification regarding the firms' activities is imperative to form a suitable sample, since there is the factor of employing or not operatives that affects the firms' activities under consideration.

This research regards the case of general contractors and thus not specialized subcontractors. Apart from the reason mentioned above, the later comprise a separate group that attempts to avoid market pressure through specializing in a particular market segment (Johnson et al, 2006) thus their strategy should be considered separately. Keeping that in mind, some characteristics of the small business sector and its unit, the small firm, are reviewed here.

2.4 Management and the Small to Medium Enterprise in Construction (SMEC)

According to Beaver and Prince (2004), at the heart of SMEC's distinctiveness lays the business ownership and its integration with the management which renders managerial practices, developed and applied initially to the corporate sector, not applicable or valid to them (Storey, 1994) and management inseparable from key actors actions and motivations. Thus **autonomy and independence** have been found to be the prime mover for business management and the importance of financial gain as their principal goal is lessened (Beaver and Prince, 2004). The same is suggested by owner's reluctance to allow for external capital to be provided by outsiders (individuals or institutions) in exchange for part ownership of the business even for the sake of firm's growth (Storey, 1994). Diverse equity ownership – private or public– would demand some levels of accountability, which in turn means that management and decision making should be explicit, rationally justified and easily communicated, it is not accidental that accountability is the force shaping larger diversified organizations (Mintzberg, 2003). Another implication emerging from the ownership-management integration is that in order to comprehend the management practices of small firms it is necessary to understand the psychology of ownership and the **perceptions** that the

owner-managers have of themselves and their operating context (Storey, 1994).

Table_2:
Internal factors influencing Perception (Mulllins, 2002):
✓ personality
✓ motivation
✓ past experiences
✓ goals
✓ Expectation
✓ Interests
✓ training
✓ ability
✓ Intelligence
✓ Learning

Perception is a characteristic feature of behaviour related to "the unique picture or image of how we see the 'real' world" and the root to all organisational behaviour (Mullins, 2002). Perception is also considered as information processing system with several stages[5] not necessarily repetitive that explain the way in which information (stimuli) from the environment is selected and organized to provide meaning for the individual. There are several internal factors influencing perception process of the individual which all together form the individual's perceptual set that "give rise to an inclination to perceive certain stimuli with a readiness to respond in certain ways (table_2). Additionally perceptual errors give rise to bias and distortion such as stereotyping or perceptual defence (Mullins, 2002). For managers understanding others' perspectives on how they see the world problems of bias and distortion minimized. That kind of learning is achieved through discussing and communicating your perceptions, thus although it is considered important for all managers, it is even more urgent when all the decision power is concentrated in one single person such as the SMEC's manager to shield them against problems arising from perceptual selectivity.

Existing literature reports that there is a distinct managerial style responding to small firms which however should not over-generalized, since in practice small firms are as varied as their owners. That is **"autocratic, egocentric, impulsive and often unpredictable"**, with strategy and planning restricted to **the short term, a "wait and see"** approach to impendent changes (Mulhern, 1995) and relations with employees **"highly particularistic, involving personal and sometimes highly idiosyncratic relationships"** (Beaver and Prince, 2004). Additionally small business theory illustrates that small enterprises prosper in certain and stable markets (Miller et al, 2001) and experience the up- and downturns more intensely than the large ones (Observatory, 2003). Owner-managers of small firms are frequently found incapable to manage effectively in a complex environment probably due to limited managerial experience

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[5] stimuli, screening, organization and arrangement of the stimuli, logic and meaning for the individual, pattern of behaviour

(Miller et al, 2001) and minimal training in terms of managerial skills development (Welch, 1996).

Nevertheless, that distinct managerial style is related and results to small firms' **simple organizational structures, rapid decision making and flexibility** (Maggina, 1992), which are vital for the management of construction enterprise (box_3).

> **Box_3:**
>
> "management of change, coping with changes in the environment and making adjustments to its strategy, diversifying as necessary, modifying...operations, altering its methods of employment of manpower, updating its approach to managers, changing its organizational structure and making constant adjustment to its financial and pricing policies", as Hillebrandt and Cannon, (1990, p.xix) define management of a construction firm, mostly due to the uniqueness of projects.

The autocratic leadership style mentioned above is interesting in the view that it expresses manager's perception of the human nature in general and especially the abilities of his/her subordinates, and how that need to change for the firm to grow (Cooke and Williams, 2004). That correlates also with the 'visual and personal' control method by a managing director who tends to "do everything himself" including all the decision making and is not able to entrust responsibility to people around him due to a constant fear of losing control while as the firm grows there is a need for those methods to be substituted by supervision and reporting (Cooke and Williams, 2004).

Construction is recognized as particularly "management intensive" due to the amount of decisions to be taken daily both on site and on organizational level (Hillebrandt, 1990). However that intensity largely refers to tactical issues, probably because due to the accumulation of several roles by the managing director (table_3) the tactical and more urgent issues are perceived as more important and thus strategic management is often minimal.

> **table_3:**
>
> Responsibilities of the Managing Director (usually principal owner) of a small construction firm (Cooke and Williams, 2004):
>
> ✓ Contact with clients/architects etc
> ✓ Preparation of tenders/obtaining work
> ✓ Submission and adjudication decisions
> ✓ Pre-contract arrangements
> ✓ Letting of subcontracts
> ✓ Planning-programming of work
> ✓ Interim certificates/final accounts
> ✓ Payment to subcontractors/suppliers
> ✓ Establishing policy
> ✓ All decision making

2.5 Strategy and the Small to Medium Enterprise in Construction (SMEC)

Literature underpinning the development of the business strategy was initially prescriptive in nature suggesting a development of strategy in a rational, two-dimensional process of formulation and implementation, which includes formal statements of business objectives and detailed sets of functional objectives. In relation to the small firms it emphasized the business plan as "the preferred management instrument, enabling small firms to fashion their success" (Beaver and Prince, 2004). The Design school approach was extensively proposed for the small business strategy by many researchers that empirically identified the lack of strategic analysis and planning in SMEs and supported their positive impact on a firm's performance (Rangone, 1999). Much of it is based on Porter's (1985) approach, according to which its either cost leadership, differentiation or focus that secure firm's success and longevity. The preponderant interpretation for small firms throughout much of the literature of small firms strategy, argues the need for them to concentrate on developing market niches[6] (Wheelen and Hunger, 1999) although Anderson and Atkins (2001) argue that there is not sufficient evidence through research to support such an approach. On the other hand, attention was also paid to the resource-based theory (e.g.Regner, 1991), such approaches argued that small firms should focus on the critical recourses available in its attempts to develop competitive advantage (e.g. Connor, 2002; Rangone, 1999). Those were also criticized by researchers arguing that due to the pure quality of the small firms' resource base, there are not enough critical resources (durable, unique, difficult to imitate) to provide the basis for sustainable competitive advantage, which could be achieved only though strategic alliances. I was also observed that simple approaches were more appropriate, while firms competing in the same mature industry tend to develop homogeneous competitive strategies (Hewitt-Dundas and Roper, 2001; Bretherton and Chaston, 2005). All those attempts to apply to small firms strategies that was initially developed for the corporate sector resulted from the perception of small firms as large in miniature and according to Miller et

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[6] which was considered applicable mainly due to the fact that both differentiation and cost leadership are undermined by the lack of resources and also comply with the preference for survival and independence than growth that is commonly attributed to small firm's managers

al (2001) the benefits of these strategies do not seem relevant to the small firm context, partially due to the fact that are often based on the accumulation of large physical and financial resources (Ngowi, 2002), while they do not take into account the special characteristics of the small firms.

Additionally, Betts and Ofori (1992) support the inadequacy of strategy with its traditional contextual meaning (box_4), for the construction firm. Moreover, Hillenbrandt and Cannon (1990) report that in fact and as far as construction is concerned, the majority of the construction firms are not even aware of the formal strategy practices and they do not have any kind of written strategy, which supports Beaver and Prince (2004) argument that strategic activity is more **"informal, intuitive, and invisible"** and the strategy process is **"emergent and instinctive"** usually based on **imprecise information** and form a relatively **simple framework** proportionate to the firm's limited resource base (Hewitt-Dundas and Roper, 2001).

Box_4:

Strategy with its traditional contextual meaning is not very relevant to construction firms anyway. As Betts and Ofori (1992) argue that there are several issues, such as:

✓ Very little opportunity to differentiate its product as "many project parameters and variables are determined before the firm is engaged".

✓ Economies of scale cannot be pursued and sometimes are also not practical due to its project nature (location-specificity, balkiness of materials and high cost of storage and transportation.

✓ Since each project is unique and also very few firms have structured feedback systems, "situations may be sufficiently fluid to erode the importance of previous experience".

✓ Due to the simplicity of some construction work, the slow technological change in the field and the relatively low capital requirements, construction is an easy sector to ender especially at the level of the small, low-technology firms.

The **"notion of strategic awareness"** as a capability and **"planning as an embedded process"** are much more critical for small enterprises than formal business plans, since those are more likely to constrain or facilitate their growth or success (Beaver and Prince, 2004), than formal analytical planning processes that require an extended information-gathering. It is highly unlikely these firms to undertake market research and complex analysis, thus it is the understanding of the senior management of the market and its values and expectations, mentioned above, that form the strategy of the firm. It is

more probable that any future goals are pursued incrementally through "constant scanning of the environment and small scale steps in the strategy" (Johnson et al, 2006). The value of incrementalism and also learning has been emphasized by studies (Davig and Brown, 1992; Boussouara and Deakins, 1999) in different types of small organizations (manufacturing, high technology respectively).

Nevertheless Fletcher and Harris (2002) although supporting that in the context of small firms the 'emergent approach' is of greater relevance, also report research findings that prove specific aspects of the planning approach to be especially effective for small firms. While nowadays the heavily criticized for over 20 years strategic planning is researched again from the perspective of Strategy-as-Practice that study strategy in terms of the strategists' activities. From that point of view the priority lies with issues like "how work is done, who does it, and the tools that are used" (Wittington and Cailluet, 2008). So, however inconsistent the outcomes of the those strategies applications are, the concepts and values underlying them should not be lightly discarded, it is possible that tracking strategy in SMECs will drive us to review some of those concepts although in a different context.

The literature review so far provided sufficient information to apprehend the SMEC's context and also set off, from the extensive theory on strategy, those concepts that are relevant to the SMEC's strategy. In the next chapter, those concepts are briefly presented and related to create the theoretical framework, on which the analysis will be based.

Emergent Strategy

The concepts proposed above as descriptive of the strategy process and activity in small firms are not surprising; in fact it mirrors a debate started 20 years ago between Mintzberg as the main critic of the traditional descriptive planning school of strategy and Ansoff as the main defender. It was initiated by Mintzberg's reconsideration of strategy which drew away from the commonly accepted notion of strategy being a grand plan, which corner stone is 'reason' and its process is strict and can be split up in discrete sequential steps (Mintzberg, 1987). In this approach creativity and intuition can be employed only during the 'formulation of alternatives'. The rest of the steps are dominated by rational arguments and analytical considerations which are based on the assumption of a more or less predictable world in which "rational analysis outweighs beliefs, hope or intuition in strategy development" (Idenburg, 1993) which do not accord with reality.

On the other hand Mintzberg based his observations on few descriptive longitudinal case studies, considered "strategies as ex post facto results of decisional behaviour as well as strategies as a priori guidelines to decision-making". He coined the terms and defined the differences between deliberate, emergent and realized strategy and emphasized the formation of strategy through experience as opposing to the formulation of it up-front (Mintzberg, 1978). His emphasis on experience was illustrated by a metaphor in which strategy is view as crafting, like pottery also strategy should be hands-on, reactive and improvisatory. According to Mintzberg, "formulation and implementation merge into a fluid process of learning through which creative strategies evolve" (Mintzberg, 1987). This idea was further developed in his book of 1994, The Rise and Fall of Strategic Planning and was supported by many contemporary thought-leaders that confined the use of strategic planning as a mean to extending leadership in mature industries and declared it unsuited for constant regeneration in a turbulent world. (Wittington and Cailluet, 2008). The observations (box_5) on which Mintzberg bases emergent strategy concept are extremely relevant to the SMEC restrictions.

Box_5:

The impossibility for a thorough situation analysis due to time and capacity reasons

The inability to produce many different realistic options due to a bias towards what is already thought and considered as the 'right' answer

The accuracy of the implementation plan since "the best strategies are usually already half-implemented and those parts that have not been implemented are so uncertain that planning more than one or two steps ahead is wasteful".

(Campbell, 1991)

Through the crafting metaphor Mintzberg sets off **intuition** as a critical ingredient to strategy. According to him, "intuition is a deeply held sense that something is going to work" that emerges as a conscious choice and direction. It is context specific and presuppose relevant knowledge that rise from the experience of the context and often is subconscious (Campbell, 1991). Its dominant characteristic is that can't be explained in terms of the linear logic of cause and effect that rationality employs. Experienced leaders, those with high levels of personal mastery, often rely on hunches, recognise patterns and draw insightful analogies to other apparently unrelated situations, while naturally and possible unconsciously integrating those with rationality. That challenges the long lived assumption that rationality itself is opposed to intuition. (Senge, 1999)

However Mintzberg recognised that what he offered was the other end of the spectrum opposite to the Design School. Maybe entirely deliberate strategy precludes learning but on the other hand entirely emergent precludes control. So in order "to understand strategy, you have to accept both ends of the spectrum" since the majority of strategy approaches fall at intermediate points. (Campbell, 1991)

2.7 Logical incrementalism

In this spectrum there is concept relevant to the SMEC that were mentioned above. That is **logical incrementalism**, a descriptive approach to the strategy formation that make allowances both for intuition, experimentation and learning but also intensions (Johnson et al, 2006). In the concept of logical incrementalism both the analytical and behavioural aspect of strategy are

integrated (Mintzberg et al, 2003). The approach includes generalized goals and objectives but those are pursued through constant scanning and small-scale steps due to the management's inability to predict the shifts in the environment in the long term. The focus is on the development of the main secure business based on previous experience coupled however with experimentation in organization's subsystems which drove to emergent patterns of strategy, which are the result of experimentation and learning by doing, that are further on utilized by the top management. There are several benefits that stem from this procedure. The integration of formation and implementation allow for a constant testing and thus improved quality of information for decision making while the gradual implementation allow for higher commitment to change to be developed while decreases the levels of resistance. (Johnson et al, 2006)

2.8 Issue awareness
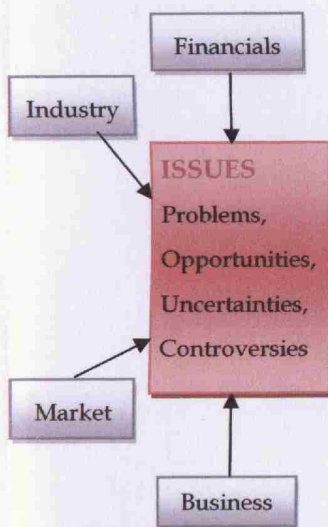
"Constant scanning" of the environment seems to be embedded in the emergent development of strategy, the capability that allows it especially in the restricted –in terms of information- context of SMEC is **strategic issue awareness**. That is usually not an analytical process, it merely refers to a 'gut feeling' that the people get, "based on their previous experience or received wisdom" and which 'hatches' until the moment that the accumulated stimuli received by the environment built up a distinct image of the issue that the organisation face. (Johson et al, 2006). There are several areas from which issues arise (figure_1). As a structured formal process Dale (2002) refers to the concept as 'issue recognition' but the essence of it remains the same. An 'issue' can be defined as problem, opportunity, uncertainty, controversy (table_4).

Figure_1: sources of strategic issues

Table_4: Issue definition (Dale, 2002)
Problem: the most obvious candidate which can take many forms such as a lost customer, the presence of a new competitor, the requirements of new legislation, etc
Opportunity: such as a high-growth segment or a change of management at a key customer, which is just as much an issue because unheeded it may become a lost opportunity
Uncertainty: also an issue because, for example, alternative outcomes such as combinations of different competitors by merger of acquisition may affect us very differently
Controversy: If, for example, two people in the leadership team disagree strongly about a matter of apparent importance there will be good reason for this. Whatever is going on, it is an important issue.

Issue awareness has several positive implications in the decision process (table_5). The step that inevitably follows is **issue formulation** which involves information gathering, however neither structured nor objective, mainly verbal and informal which is interpreted based on experience –individual or collective and the taken-for-granted assumptions of the paradigm.

Table_5: Positive effects of issue awareness (Dale, 2002)
✓ Deal with complexity, incomplete data and uncertainty
✓ Scan what is going on in a comprehensive way
✓ Anchor the work in the unique circumstances of each business
✓ Handle the politics

2.9 Culture

The paradigm constitutes the heart of the organisation's culture. We have already mentioned the cultural dimension of small firms and its evolution along with the size of the firm. What has to be mentioned here is its effect on the strategy development. Culture in its essence is concerned with the taken-for-granted in an organisation. Schein (1985) refers to them as the 'basic underlying assumptions' that constitute the essence and considers values and behaviours as the observed manifestations of them. Johnson et al (2006) refer to it as the paradigm. The important thing is that this paradigm effect if not define the way in which people view the organisation they are in and its environment which in turn constrain if not prescribe their behaviour and activity –probably unconsciously due to an inclination to reduce uncertainty and ambiguity by defining the issues "in terms of that which is familiar", and thus has an impact on the emergent and incremental development of strategy (Johnson et al, 2006) while also inhibit radical strategic change, mainly due to the "self reproducing nature of organizational practices and discourses… (that) makes them inherently resistant to externally imposed change" (Henry and Seidl, 2003), on the other hand objectives and resultant strategies will influence culture (Mullins, 2002).

2.10 Politics

Furthermore strategy has to do with the present and future of organizations and considering the peculiar ownership state of the SMEC, any activity and choice regarding strategy is affected by the emotions, doubts, worries, intuition and stress of the owners (Idenburg, 1993). Since there is a group of people involved in the strategy formation both the social dynamics of that

group and the political dynamics of the organization are possible factors of the strategy formation (Moncrieff, 1999). A political perspective on strategy development may be extremely relevant because it emphasises the lack of objectivity and dispassion necessary for the rational and analytic approaches and also allow for a more accurate explanation of the objectives of a firm not as outcomes of rational process of information but as ambitions of powerful people (Johnson et al, 2006). Furthermore those personal ambitions may be a powerful distorter of the information received. 'Stakeholder's theory' maintains a variety of parties that have a stake in the business, which may have interests that conflict and should be balanced through the strategy development process. Curtis identifies tree main group of actors –individuals and organisations:

_ Individuals with whom a personal relationship exists;

_ Individuals with whom a business relationship exists;

_ Organisations with whom a business relationship exists. (Atkins and Lowe, 1994)

Table_6: Stakeholders of a SME:
✓ family members ✓ joint owner managers ✓ employees ✓ professional advisors ✓ creditors ✓ debtors ✓ competitors

The individuals and organisations included in each of those categories are contingent upon the specific circumstances of each firm, but those included in the table_6 have been found to have some part to play in the strategy formation process.

The concept was initially developed as part of the strategic planning process, and as such has its critics; it has been revived mainly due to the growth of strategic networks. The existence of networks for construction firms has already mentioned above. What should be noted here is the importance of especially the informal ones in the process of company start-ups. (Atkins and Lowe, 1994)

While according to Jarillo (1988), strategic networks are "long-term, purposeful arrangements among distinct but related for-profit organizations that allow these firms to gain or sustain competitive advantage", while a form of cooperative activity might be expected to be the norm rather than the exception with significant benefits especially for small firms. Nevertheless in construction industry those networks of small firms including main

contractors and sub-contractors, architects, surveyors, tradesmen and plant hire, are significantly less beneficial than the theory assumes, while in some case are used as means for the large contractors to exert leverage over the small subcontractors (Miller et al, 2001) probably owning to the adversarial culture of the construction industry (Egan, 1998) that does not always allow for trust to be built which is pivotal for the networks performance/effectiveness (Atkins and Lowe, 1994). Furthermore their informal ways compliment the informal processes of the small firms and thus do not challenge them to change.

2.11 Learning The most important advantage of emergent strategy as a concept is that it fosters **learning**, and in fact experiential and psycho-motive learning (box_6) occurring while "people take actions one by one and respond to them, so that patterns eventually form" (Mintzberg, 1987). That kind of learning (in contrasts with the more formal cognitive learning)

> Box_6: types of learning
>
> Cognitive learning or "classroom learning": refers to learning as synonymous with "absorbing information dished out by an expert" (Senge, 1990)
>
> Experiential learning..."a process whereby concept are derived from and continuously modified by experience" Kolb cited in Rae and Carswell (2001)
>
> Psycho-motive learning or "reflection-in-action" learning: occurs when professional develop the ability to work in continuous cycles that include "pausing to develop hypothesis", acting and "pausing to reflect on the results" (Shon cited in Senge, 1990)

is that underlines all regular and predictable behavioural patterns of SMEs, namely their 'routines' (Nelson and Winter, 1982) such as their intuitive, based on previous taken-for-granted assumptions, decision making mentioned above. Much of that learning is implicit, hard to verbalise and occurs incidentally, which responds to the tacit nature of the knowledge acquired through "indwelling", meaning self-involvement (instead of simple observation) and commitment (Polanyi, 1966).

Tacit knowledge is an important source of competitive advantage. For those of the small firms that embrace an entrepreneurship culture towards constant development and growth, the day-to-day knowledge is especially important and typically the base on which managers-entrepreneurs act when starting firms. Day-to-day knowledge is typically idiosyncratic, since it comes from

insights of the individuals during occupations, job routines, networks and life-experience, and also unique and unevenly distributed (Amit et al, 2000).

That knowledge is and remains tacit. Thinking of Nonaka and Takeushi (1995) model of knowledge creation (figure_2) as an interaction between tacit and explicit knowledge, it is obvious that SMEC do not proceed further than the 'socialisation', i.e. sharing of experiences that leads to creation of new tacit knowledge such as shared mental models (Nonaka and Takeuch, 1995), which leaves no scope for formal concepts and approaches. On the other hand researches that try to apply the explicit knowledge comprising the theories of strategy, are basically trying to combine tacit and explicit knowledge directly, skipping the mode of externalisation, and moving directly to the internalisation. That may be a possible explanation of the existence of several papers and studies on the subject proposing different approaches based on the visible characteristics but ignoring the underlying processes. That is basically the gap that this research is trying to cover, through externalising the processes regarding the strategy development and then trying to combine it to the existing theory to improve the actual practice. Another insight occurring from the spiral is the need to initiate the dynamic interaction between tacit and explicit knowledge, in order to capture knowledge created at the project level and integrate it into the firm.
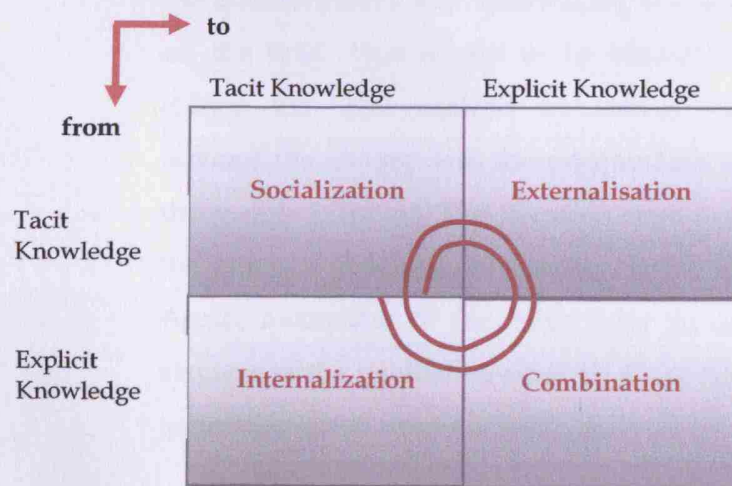
Figure_2: the knowledge spiral

Source: Nonaka and Takeushi (1995)

3. Methodology

3.1 Approach Selection

This research deals with strategy formation in practice, thus requires delving into the already realised strategies of the firms in order to capture the practice and not the intentions. The choice between a quantitative and a qualitative research strategy was based on the purpose of the research and the type and availability of the data to be acquired (Naoum, 1998). In the interests of this research, a qualitative approach was considered more appropriate as it enables access to the subjective experiences of organizational life (Cassell et al, 2006), along with taking an interpretivist perspective , namely trying to "investigate the perspectives that subjects have and to interpret their view of the world" (Cassell et al, 2006). A case study approach was selected to examine the case of SMECs, through an in-depth analysis of a group of small firms that aims to identify the general patterns/features of SMECs' strategy development and particular features of significance.

In contrast to the objectivity of the quantitative research, qualitative research's subjective nature entails issues of bias, reliability and validity (White, 2000) which were carefully addressed during designing the questionnaires and undertaking research on the field. This is also to be considered during the data analysis by taking into account the context and the personalities of

> **Box_7:**
>
> Gummesson (2006) argues that as in management practice "data and their relationships are incomplete" and thus every decision entails both fact and judgment, also in the management research the selected data are an incomplete part of the original incomplete data set which is affected by the researcher's judgment and interpretation.

the people involved. This research aims to capture managers' perceptions of the strategy development process which has been highlighted in literature. Again, awareness of the subjectivity in data interpretation as an integral element of the qualitative research (Gummesson, 2006), requires attention on generalisation of research findings.

3.2 The case study focus

The aim was to interview a 12 managers of SMEs from the UK construction industry, which would be randomly selected from a population with specific characteristics (main contractors, with less than 25 employees) to control

extraneous variations and clarify the limits for generalisation (Eisenhardt, 1989). The firms should have preferably a ten years history, since discussion of practices either too old or to recent, could cause problems of hindsight-rationalisation and sensitivity, respectively (Regnér, 2003)

However, it should be noted at this point that the research context and consequently the source of sample should not be considered to be homogeneous. Almost each small firm is by nature unique with special characteristics, operating context, capabilities and objectives (Beaver and Prince, 2004).Hence, this paper attempts to report only the more commonly encountered and more generally accepted SMECs' characteristics and to identify different ways of strategy formation, explore the communalities between them and the factors affecting them. However, this is not expected to conclude in a sole 'right' proposition.

3.3 The firms' selection

Several firms were identified mainly through FAME database and yellow pages, based on the number of employees (less than 25) and their activities (main contractors). Initially, e-mails and fax followed by phone calls were used to approach possible research participants. However the response rate was disappointing. Managers were reluctant to any kind of involvement, showing difficulty/inability to understand the concept of strategy and its relevance to their work. Representative of this approach has been one manager's statement that he couldn't afford to spend half an hour unproductively! Such responses amplify the position that small firm's managers are mainly focused on operational issues (Miller et al, 2001) and reinforce the intuitive, implicit side of their decision-making. However, their failure to understand the concept of 'research' and its relevance with their work has been totally unexpected.

Consequently, another approach through the Federation of Master Builders and then the Construction Skills was attempted. Both organisations, recognising a value in the research, were willing to help. A workshop scheme, based on interactive discussion groups, was proposed for reasons of simplification of the venture, improving its attractiveness, and also as an alternative approach to strategy research, since it "encourages practitioners to

reflect on their own practice" and thus provide more insight into detail from their perspective (Balogun et al, 2003). Still, surprisingly, the positive responses were very few. At the same time, an alternative approach targeting the contractors employed by UCL, although turned unsuccessful, due to bad timing (these firms had a high workload during university's summertime) indicated the importance of a previously established relationship. Finally, it became evident that in order to secure access to SMECs, the way of approach should be based on something that firms were interested to maintain and develop, namely, networks and relationships.

3.4 The Greek context

Consequently the research scheme was moved in Greece were in less than 15 days 12 managers where approached and interviewed in three different cities: Athens, Chania, Heraklion and Rethymnon (table_7). The research was decisively facilitated by personal relationships, social and business networks. Managers proved willing to spend time based on colleagues' or employees' referrals of the researcher, perhaps taking pride in the opportunity to "teach" something out of their experience, yet the majority were unable to perceive how the research could be beneficial to them.

Such a sample might invoke a risk of bias facilitated by the format of data collection process. That had been identified early, and attention was paid in selecting a variety — in terms of location, activities, resources and size — of firms unrelated to each other. In that context, also an effort to please the interviewer (White, 2000), as well as to give a positive image of their firm might be identified, which was controlled through the questionnaire's design.

3.5 The interview approach

The informality of the SMECs justifies the relative lack of formal records (Mintzberg and Waters, 1982), thus the only viable approach was through interviews coupled with personal observations. Personal interviews were selected since the interpersonal contact was reckoned essential to clarifying the questions (clearing misunderstanding and reword questions). Semi-structured interviews were preferred since as prior researches have proved (Hillebrandt, 1990; Storey, 1994) there is not a clear understanding regarding

strategy nor a common vocabulary and thus structured interviews would probably provide inaccurate data. Furthermore, semi-structured interviews provide enough scope for further issues/concepts to emerge (Naoum, 1998), while giving the researcher the possibility to react and test out immediately any impressions and ideas occurring through the discussion, instead of only sifting out whatever seems important afterwards (Eisenhardt,1989).

The interviews were started by a short analysis of the rationale underlying the research. The first questions, rather indirect and contextual, aimed to establish an understanding and build a common ground for detailed discussion to follow (Naoum, 1998). Questions were kept fairly open and occasionally tried to approach the same topic from different directions so as to cross-check and ensure answer's validity (White, 2000).They were also addressed in a rather indirect way in order be avoid strict terminology and distorted or unhelpful, even dishonest answers. For that reason the outcomes and experience of a first sample of three interviews indicated the inclusion of some open ended questions to revile the perception that the managers have of their sector. The discussion was based on the real strategic changes that the organization has experienced over the last 10 years. That way a scene was set that provided examples for the questions and so the interviewees were able to report on memories, impressions and experiences instead of perceptions and ideas around concepts that every one of them implicitly defines slightly differently.

3.6 Data analysis method

The analysis drew from both perceptions and facts reported by the interviewees and personal observations. The data collected in the form of recordings were transcribed and then arranged into broad themes based on the research objectives and interview questions. Those data were compared horizontally (between different firms) and combined vertically (different themes) to identify common patterns, relations and causalities, respectively.

Table_7: The sample

Firm	Date of foundation	Ownership state	Number of Employees	Range of projects by value (€)	Services	City
Baltagis Construction ltd	2000	Privet	5	500.000-1.500.000	privet sector Construction (Management), Development	Athens
Anastasakos ltd	1990	Family	7	Around 800000	Design, Construction (Management)	Athens
Kosyfakis Construction Company SA	1995	Privet	25	>300.000 to 1.300.000	Privet and Public, Residential, commercial, infrastructure and refurbishment	Athens
Euroland Greek Homes sa	1997	Joint ownership	20	300.000-1500000	Privet Residential & Development	Chania
Chr.&D. Glabedakis s.a.	1992	Family Business	15	200.000 to 1.500.000	Privet Residential & Development	Chania
Marmi s.a.	1992	Family Business	10	100.000	Privet Residential, Commercial & Development	Chania
A. Mauromataki s ltd	1985	Family Business	6	60.000 to 500.000	Old traditional building erections, refurbishment	Chania
Katsarakis ltd	1998	Family Business	9	200.000 to 2.000.000	Public projects, buildings and infrastructure	Herakl ion
A2G s.a.	1998	Joint ownership	12	Around 700.000	Design, D&C, Development	Herakl ion
Promas	1976	Family Business	30+ (includes operational)	30.000-2.000.000	Steel structures	Herakl ion
Varidaksi & Mamoulakis s.a.	1975	Joint ownership / Family Business	10	Around 1.500.000	Privet Residential, Commercial & Development	Herakl ion
S. Polychronaki s construction company	1979	Family Business	15	50.000 to 3.000.000	Public, privet, design, construction, development Real estate	Rethy mnon

4. Discussion

**4.1 SMEC and their perception of strategy**

As it is already mentioned, strategy as a concept proved very difficult to for the managers to comprehend. On the contrary, discussing strategy in terms of significant changes in the firms' history, and the decisions and events related to that, proved more fruitful. The firms described their strategy shifts in contextual terms that presented a high level of **similarity**, namely, product differentiation through quality and/or superior design and/or optimised quality/cost rate, market focus and adaptation to the market which was however statically realised through a range of almost undifferentiated services organised either by procurement route or building type (Smyth, 2006). It may be that their focus towards operational activities causes an apprehension of strategy as differentiation in terms of the final production outcomes.

Such an approach treats strategy as something that firms have -a 'trump card' that differentiates them and allows them to compete related to a focus in end products markets. However those are very static, obvious and common to be accepted as providing real and sustainable competitive advantages (Prahalad and Hamel, 1990) for the firm, very fast they are downgraded into tactical. The heterogeneity of small firms and their importance as a stage in the firm's evolution process, demands for a more dynamic image of strategy. Considering strategy in terms of something that people do (Whittington, 2006), allow us to identify commonalities but also significant differences in the way those firms are going about strategy. Processes and distinct activities are tracked in terms of historical shifts, decisions related to them, context that allowed them and situations that triggered them. On a second level the actors

4.2 The strategy development process

The first step would be to place their strategy development in the planned-emergent spectrum. It is clear by the findings that the managers do not plan their way forward, it was proved to report on tactical issues (planning of a specific project's life-cycle). However the development is not totally emergent either, in such a case, firms would be run in chaos based on contingency. In some firms, only few though, there are also some clear intentions, although there is only a vague idea of how to pursue them. In that way strategy development can be considered iterative (figure_3). However studding

strategy in terms of its process means that there is an interest to go further and realise how those intentions were developed and how those integrated with the emergent initiatives.
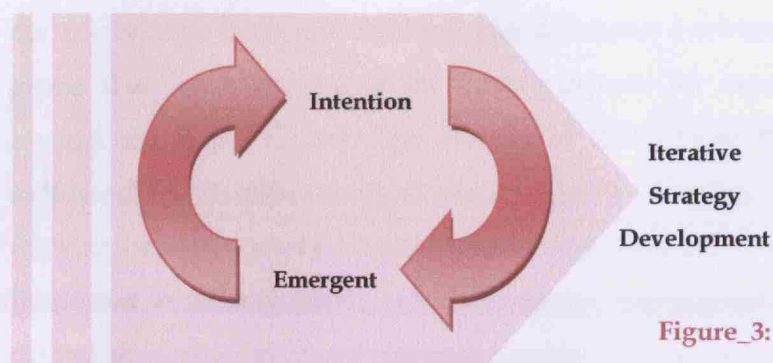
Figure_3: the iterative strategy development

The mission What was identified to 'constrain' the emergent process is first of all an overall **mission** – a purpose - usually regarding either growth or survival with sufficient returns. It is more of an embedded assumption in the culture of the organisation, unaffected by the process of strategy development but shaping it, determined primarily by the owner-manager's **values** and **motivations** (Penrose, 1995).

Motivation as regarded through its affect on "the way the individual deals with individual decisions" is based on the individual's set of needs and desired results and forms his internal, possibly unconscious, decision of how much effort, energy, and excitement to invest (Handy, 1999). In our sample, lack of money, a thirst to prove themselves and need for independence are the primary factors to have triggered the initiation of a firm (Marmi sa) and its early growth. On the other hand, a change in the 'degree' of motivation can cause a change in its mission. For example, in the case of Katsarakis s.a., the lack of succession in the family along with a disappointment by the outcomes of manager's effort changed its mission towards survival and drove the firm through downsizing towards disbanding. The effect of motivation in the small firms is amplified by the independence and complete control of the owner-manager as it was discussed in theory. In our sample the majority of firms aim to grow, while 4 out of 12 firms are interested in just securing sufficient returns. All of those falling into the second category are family firms. Preservation instead of an attempt towards evolution when the firms are

sufficiently profitable is consistent with both the Nelson and Winter's (1982) evolutionary model and also orthodox equilibrium-seeking model.

Although the mission is taken-for-granted, and therefore never stated during the interviews, there are common characteristics between the firms in each group that are indicative of the firms purpose, for example, their attitude toward the firm's capital. The owners of those firms that are targeting a sufficiently profitable survival usually aim to accumulate personal wealth with an objective to retreat from the market later on. On the contrary those interested in growth which are the majority, are interested in accumulating capital as a mean to invest towards growth without external financing. As a manager mentioned, accumulation of the capital will enable them to make a substantial investment in the future, when the opportunity-contingency that they suspect, realised. Furthermore, their culture presents significant differences. Aiming to grow, means undertaken some levels of risk, while a risk avert culture was observed between those willing to retain their position. In relation to their future plans, firms aiming to survival are focused on operational issues, feel more sensitive to the market pressures (cf. Skitmore and Smyth, 2007), while reacting to strategic ones, only under the pressure of adversity, meaning: "if I see that the current strategy drives me to dead end. If the current strategy pays I do not have any reasons to change it" (Anastasakos).

Even with a mission to grow, firm's expansion may be restricted "to the extent to which a firm does not see opportunities for expansion, is unwilling to act upon them or is unable to respond to them" (Penrose, 1995).

Initiation of strategic change – the vision

Either looking for survival or growth, all of the interviewees contended to the existence of a basic direction or strategic vision (box_8) that defines the firm's actions. In few cases that vision is translated into specific although qualitative goals. A change in strategy is initiated by a change to that vision which seems to follow a common pattern (figure_4). Most of the interviewees mentioned that the whole process is triggered by the **recognition of an issue** affecting the firm that could be in the form of a problem, a change, a need, an opportunity (such as market opening), or a trend.
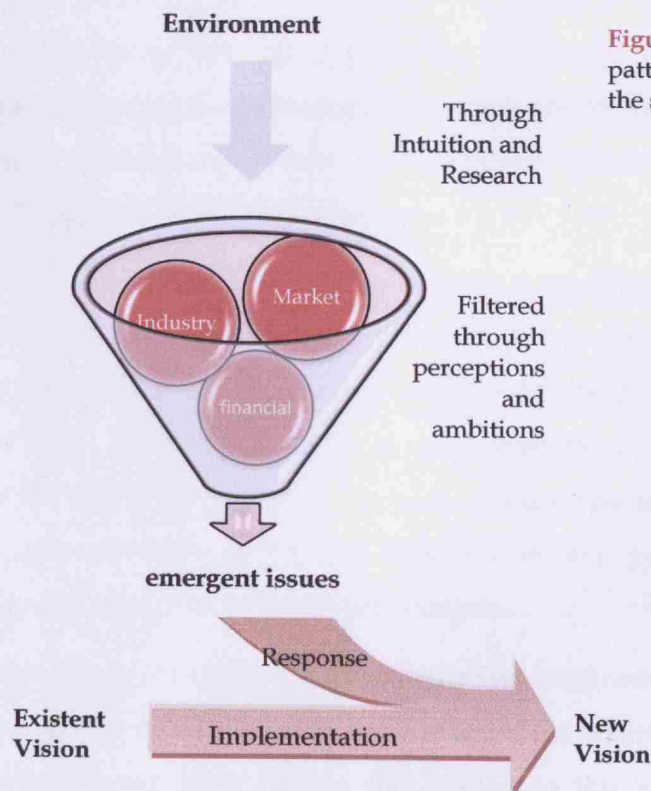
Box_8:

Strategic vision is the aspiration of the organisation to which the visionary leader seeks to secure members' commitment (Johnson et al, 2006).

Yet, it should be noted here that an issue is not necessarily strategic, it could resulted to a change of strategic vision, a single project or a failure. As Mintzberg argues, what is strategic or tactical is clear only after the fact, "what is critical evolves over time" (Campbell, 1991).

Those issues arose through constant scanning of the environment; which as a manager said is "50% **research**, 50% **intuition**" (Gereoudakis). That illuminates a fruitful integration of reason and intuition, but the weights of these two depend on the inclination of the manager and vary. Indeed too much monitoring may distract the focus from the important issues (Mintzberg, 2003) while too much analysis may lead to paralysis (Dale, 2002) thus the process is mostly one of **'issue awareness'** and **'issue formulation'** which researchers have set off as especially important for small firms (Beaver and Prince, 2004).

Of interest and importance is to identify what underlies those concepts. 'Intuition' has its base on previous knowledge and experience that forms the person's mental model. 'Research' on the other hand refers to the collection of unstructured, objective, mainly verbal information.

Environment

Through Intuition and Research

Market

Industry

financial

Filtered through perceptions and ambitions

emergent issues

Response

Existent Vision   Implementation   New Vision

Figure_5: common pattern in changing the strategic vision

2

Table_8 includes the sources of such information as they were identified through the interviews. The extent of that information is limited. In regard to their context, market -in terms of competitors and customers- is their focus; there is also some interest in the financial situation and also changes in the industry mainly in terms of innovation. As the manager of A2G stated: "the market certainly lures you", that is the perception of "...what is profitable, what the others try, what is expected to be profitable", to be noted here

Table_8: Sources of information
✓ peers,
✓ individual customers,
✓ competitors (3-4 elite firms) for benchmarking,
✓ real estate offices (data regarding demand, purchasing power and requirements),
✓ financial papers,
✓ real estate exhibitions,
✓ manager's personality,
✓ suppliers and subcontractors (as the mean of information flow),
✓ suppliers (price pressure, technical innovations),
✓ systematic reviewing of previous projects

that only one of the manager's mentioned that that perception is personal and may be wrong. Such information is retrieved mainly from the local informal networks of the firm and personal contacts, which is partially explains the commonalities in the strategies of the firms as responses to the same issues. Furthermore considering the figure_1 of the literature regarding issue recognition, we realise that there is **a source of issues totally ignored and that is the firm itself**, in terms of staff and capabilities and its relations with sub-contractors and suppliers in its value network.

The process of changing the firm's strategic vision is similar to the one that Mintzberg (2003; 1982) has detected in the Steinberg supermarket chain and he calls it the entrepreneurial approach to strategy formation. Although this approach concerns major strategic shifts in a firms evolution which are rare (two in 60 years) and bold, while this research, considering small firms as a stage to the firms evolution, is dealing with smaller and probably slower shifts, a comparison may give us interesting insights.

First of all the strategic vision is "clear, imaginative, integrated...depends on an involvement with detail, an intimate knowledge of the specifics". Indeed as the interviewees claimed their choices that leaded to the shifts rested on intuition and previous experience and described their involvement in every-

day activity of the firm as one of the major advantages of the firm. The leader by personal close control of the 'implementation' adapts and reforms the vision according to his process of learning. Ones tested and formed that vision should be 'represented' in words and metaphors while remaining general and must be articulated to drive others and gain their commitment. That is clearly a point of failure for the SMECs considered. Only two out of the 12 firms have a policy to discuss their strategic decisions with the employees and even for them the depth and breadth of this discussion cannot be specified. That is a major drawback because the new vision does not shift the taken-for-granted assumptions (the paradigm-see_2.9) based on which the people act, as it was discussed in theory and thus conflict may arise or the new initiative is going to fail.

The development process The new strategy occurs through an integrated formation and implementation process that allows for continuous adjustments through a trial and error procedures. Two approaches were observed. In the first, the managers may 'search' in the environment –mainly competitors- for known, tested solution, undertaken however the risk of not perceiving the expected outcomes. Again the selection is intuitive since there is not enough information to rationally justify the selection. For example, in one case a manager admitted to have copied a strategic choice (an in-house sales department – vertical diversification for the development business, undertakes also market research), judging by the total performance of the firm and arbitrarily connecting it to the specific strategic choice. The new initiative was tested and incrementally developed into a new vision that perceived the firm as a leading real estate – developer/ indeed similar to the one they copied from.

When 'searching' of firms is mainly directed towards other firm's doings and thus imitation and less towards possible innovation, then the firms tend to remain close in their practices (Nelson and Winter, 1982). That could be a viable explanation of the commonality between the strategic choices mentioned above. However such behaviour was admitted only once and implied in two other cases. On the contrary they argued to wait for an opportunity to emerge, drawing on their experience. In such a case the

opportunity is usually in the form of a project or a client and the firm relies basically to previous experience to cope with the challenges of the project and also develop the new strategy (figure_5). In such an approach there is the risk not to proceed further than a project and the initiative to be lost. Usually selecting a project to proceed is a matter of contingency and lacks a longer term view.

Figure_5: the 'fit' that drives to the new strategy

Such a respond to emergent issues is supposed to be unique and innovative for the firm, and yet as the more common one, should be related to the shifts of each firm. There are several possible explanations to be considered here. A simple explanation would be the small variations between the types of projects in construction, the firm's inability (lack of resources, mainly financial) to proceed without them, the resemblance of resources, all coupled with a cautious attitude toward innovation in any form reported by the interviewees.

That explanation is relevant especially to local markets. Malmberg et al (1996) considering the phenomena of spatial clustering, accumulation of knowledge in local environment and firm competeviness, observes that due to them, both development and performance of a firm to a significant extend seems as being determined by the prevailing conditions in its environment, with the conditions in the local milieu to be of particular importance.

Also Johnson et al (2003) reporting on both institutionalist and critical theorists argues that macro societal forces may easily dominate micro activities and thus "Managers can be captured in wider belief systems and technologies that constrain their possibilities for action". Similarly Swidler (1986) discussing culture's influence on action argues that causal significance of culture lies not in defining the outcomes of action, by providing the critical values, but also in providing the components that form the range of "strategies of actions" which are "persistent ways of ordering action through time".

An alternative approach:
The unconscious process

Even justified, the similarities in the formed visions and strategies do not respond to a similar performance or rate of growth. That indicates that may be another factor in the strategy formation that only seemingly produces the same strategic outcomes. The difference lies in the way they see and handle change. The idea occurred by the observation that the managers were explaining the shifts of the firm, either in terms of the firm's and their personal capabilities (e.g. Glabedakis), or as a new opportunity to 'open a new door'(e.g. Papadakis).

Consequently, the way they actually respond, depends on their attitude towards their own capabilities. In the sample there are two different trends that form a continuum on which the firms lie. On the one edge there is the firm that responds to emergent issues by selecting and handling a project or more in a way that stretches and reinforces on the same time the firm's collective skills and knowledge embedded in the core people of the firm (**strategy development through focus**). Seven of the firms in the sample have an inclination towards that end; those present some common characteristics illustrated in the table_9.

The key to their strategy formation is incrementalism. The new strategy is formed in small steps relevant to the core business through experimentation and learning by doing, the new strategy formed is similar to the old one if it is viewed from the point of view of the capabilities that requires (see_2.7). The strategy development process in this case can be called 'deductive', since it has a clear exploitation and industry focus and involves some low level of

embedded planning practices (Regnér, 2003). Furthermore the projects are viewed as an addition to an existing portfolio, and their collective management is only "with a view to efficient resource utilisation and leveraging existing knowledge and skills" (Pellegrinelli, 1997). Innovation exists but mainly to strengthen their core business. Indicative is the case of "Chr. & D. Glabedakis s.a", a firm, with a 20 years history, which existing strategy emphasised quality and reliability in a higher price for high-income clients in private residential. When an opportunity appeared to enter public sector projects, their attitude did not change sufficiently; the outcome was a fast exit due to the fact that the field "was too complicated". Such an ending can be explained also in terms of the firm's culture and represents the higher risk of such an approach to strategy formation, as it will be discussed later.

Table_9: Characteristics of the firms following the two different attitudes	
Older firms	Younger firms
Stable position in the market	Constantly changing position in the market
Stable but slow rate of growth	High rates of growth –probably will not last song
Set long-term goals (5-10)	2to3 years goal-setting
Risk averse culture	High risk-taken culture –similar owner-manager's attitude
Roles organised by projects	Roles organised by disciplines
Possibly substitution between the main actors	Team of people with unique skills
Everyday control divided between main actors (mainly family members). Manager as supervisors	Hands on, close control

Towards the other end of the continuum lie the firms that prefer a challenge in order to answer to an issue. They are interested in trying new ventures and through those accumulating new capabilities giving breath instead of depth (**strategy development through expansion**). The formation process can be called 'inductive' as it is externally oriented and exploratory (Regnér, 2003). Their culture is a risk-taken. There are 5 such firms in our sample and again their observed common characteristics are presented in the table_9. They prefer projects that, as a manager said, will "open a door to another market segment" and they will urge to respond through creating the appropriate

Box_9:

"First time I did that kind of a project and I wanted to do it for something bigger later on, as an opportunity to get acquainted to that area too..." (Katsarakis)

alliances and collecting the right people with the right knowledge in the group coalition that they manage. For them each project that answers to an issue and through which a radical new vision may be created, is the possible initiation of a new program (box_9), which is going to be used as generate mechanism for future projects (Pellegrinelli, 1997).The emphasis is on flexibility and that is why any vision and goal-setting is limited to a 2to3 year's time span. Those firms are organised in a more task oriented way.

That kind of strategy development can be better considered through a metaphor: Improvisation. A concept that is frequently used in the context of arts (jazz improvisation) and was initially employed by Eisenhardt (1997) as a means to provide useful insights in the decision making process. In the context of strategy refers to one created in real-time through intensive communication/interaction between the actors that rely on few, very specific rules that provide an overarching framework and keep the firm on the edge of chaos. The key actors have particular expertise on functional areas and collectively use it to adapt to change and innovate. (Eisenhardt, 1997)

Here are two insights that improvisation metaphor can provide. A2G, the company that most of all approaching this model, has three owners with distinct functional responsibilities that share the managerial role as far as the strategic decisions are regarded. In that firm the problem recognised by the managers was a difficulty to control the firm, as it grows really fast. An effort to change the informal culture of the unstructured organisation met the employees' disagreement and there is a risk to hinder in the near future the innovative character of the firm, instead applying basic rules could be beneficial. More importantly the rules would keep a sufficient attention to the strategic level and thus reduce the risk to move from project to project without achieving any long term benefit.

One the other hand it was observed that in our sample high flexibility correlated with high control in every managerial and operational aspect of the business. As Markantonakis said: "I control everything even the air that they breathe inside and outside the office". That is a unique case of a charismatic person that managed to accumulate knowledge of several disciplines. The firm however never managed to grow more than he could directly control,

which is a common problem arising from the small firms power culture (Cooke and Williams, 2004) and one of the reasons that may limit a firm's growth (Penrose, 1995). A solution appearing through the lenses of the improvisation metaphor would be to replace him by a carefully structured and flexible team that would react as one, without to be forced to change the culture or the attitude of the firm.

The distinction observed here should not be confused with the one analysed above between survival and growth, there is a correlation since it is highly unlikely for a firm seeking survival to be engaged in the risky processes of answering to challenges, but the firms looking to grow are likely to be found near both the edges. It should be emphasised here again that what discussed above concerns to different approaches that are not alternatives but together form a continuous. The edges are not often realised, are risky and demand rare capabilities managerial and functional.

Placing firms in that spectrum allow the recognition of **probable pitfalls.** Changing strategy incrementally and thus in the existing paradigm may eventually fail to keep the strategy in line with the environmental change and cause a strategic drift (Johnson et al, 2006). Furthermore in such a firm the managing director who resigns the immediate control, may lose that intimate knowledge of the job required for a new vision, thus it is important the responsibility for change to be expanded to include project management level. On the other hand, the improvisational approach may fail to provide the expected outcomes if it loses the strategic focus and is reduced to a random sequence of projects that does not give any breath to the current knowledge. In such firms especially when they outsourcing most stages and act mainly as managers, there is the risk for the firm to fail to absorb the knowledge created during the project especially due to the fact that small firms learn in an experiential way (see_2.11) that the incremental approach provide. That knowledge may be technical but important for supporting the strategy developed or even more importantly may be the strategic experience and knowledge that produced during the improvisational development of the strategy in the context of the scope (the teaching of trial and error). Therefore the danger is still apparent even for firms that employ direct labour, and thus

have the advantages of the experience curve and true increase of their capabilities.

The most of the firms are placed in between those two edges. An indicative placement of the people in the sample is attempted in the figure_6. However it was observed mainly due to a longer personal relationship with two of those firms that their position in the spectrum has changed over time. That could be understood in terms of bold change and subsequent periods for 'pause'. The organisation and its manager, after a period of improvising to respond and adapt to the environment may need time to reflect (cf. Schon, 1983) on the decisions taken, embed and stretch its new capabilities.

An overall observation of those discussed above is that the perception the managers have of their firm's strategy and how this is developed is surficial. There is an underlying implicit and unconscious way the firms go about strategy which is embedded in the culture of the firm and has significant effects on the strategic outcome.

Figure_6: the strategy development spectrum
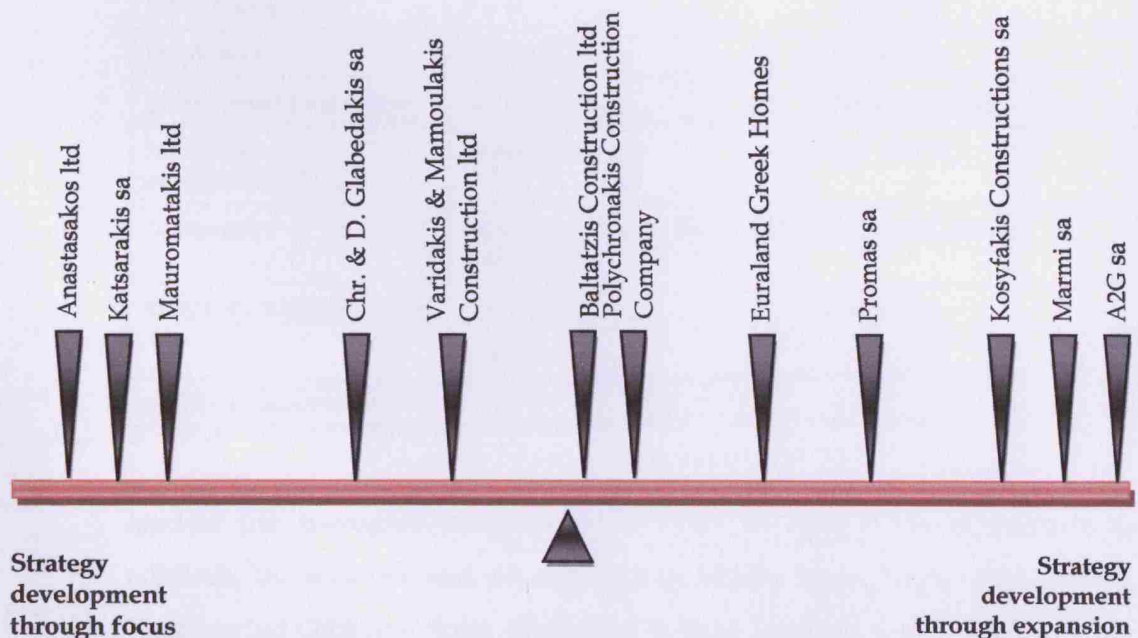
4.3 Actors and their roles

There is no use to identify processes and actions shaping strategy if it is not identified who is actually performing them. Table_10 evaluates the level of involvement of the main different stakeholders identified by Curtis (in theoretical framework). It is interesting to observe that only 'other managers' and members of the family are considered to be actual actors in the strategy development process, with a low and moderated involvement respectively. That independence of the managing director from the stakeholders and thus their concern with short term results, allow him to pursue a long term vision while achieving short-term goals (Hit and Reed, 2000). Low involvement is also in compliance with the informal and emergent character of SMEC, since Atkins and Lowe (1994) have found stakeholders involvement to be linked to firm's sophistication in strategic planning.

Table_10:		
Stakeholders involved in the strategy development process	Role	Frequency of appearance in the interviewee's answers
family members (only for family-owned firms)	Actors (only those working for the firm)	Moderated (5/8)
	Enablers/Approvers of the risk undertaken (the rest of the family/shareholders)	High (7/8)
other managers	actors	Low (3/12) [7]
employees	enablers	Low (4/12)
professional consultants	advisors	Very low (1/12) [8]
Investors, creditors/bankers	facilitators	High (10/12)
customers	Advisors (only few key customers)	Moderated (6/12)
Suppliers, subcontractors	advisors	Low (2/12)
	enablers	Low (3/12)
source: primary data		

Instead the managers recognised the effect of their personal contacts as advisors, the network and the society they belong to, as judges and referees. That is what Gibb and Scott illustrated in their model in which the key factor

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[7] However very few managerial roles and those are held by members of the family
[8] Intends to consult one

in taking on board relevant information was the 'personal contact network' of the owner manager himself (Atkins and Lowe, 1994). Unless this network is supposed to include the organisations and individuals that are normally perceived as part of stakeholders, their involvement is expected to be minor.

Furthermore, there are specific stakeholders in SMEC's strategy formation that have the distinctive role of the 'approver',' enabler', 'facilitator'. Interviewees report an involvement of family members only as approvers for the risk introduced, not by the actual strategic vision of the manager but merely by the specific project undertaken towards it. Banks on the other hand are considered useful as possible facilitators of their development. They want to keep a contact to have access to fast and not very expensive sort term loans, other than that (maybe due to the financial system in Greece) are to be avoided, that correlates with the independent nature of the small firms and their managers mentioned above.

In terms of the involvement-effect of the lower levels of management (project management) the employees and the project coalition members, it was only in one case reported. However keeping personnel and subcontractors attuned is important because it created shared cultures compatible to the firm's strategy. Consider for example a firm that sells high quality-high price and emphasise personal relationship, a construction manager on site thinking only the time schedule and a subcontractor trying to reduce cost and earn a bit more.

Furthermore lack of financing and managerial capabilities along with the uncertainty of work continuity renders top-down changes in SMEC rare. The majority admits that strategic changes emerge based on intuition and contingency. However that implies the actual changes to be cultivated on the lower levels which in a SMEC are the projects. Bottom-up strategic change requires increased levels of commitment to change, consensus towards a shared vision, competence to enact it, spread revitalisation further than the specific project and embedded it in the organisations policies and systems (Mintzberg et al, 2003). In SMECs which subcontract part of the work, there is a need for any effort to manage bottom-up strategic change to include also the sub-contractor teams participating in the project coalition, which in turn requires another approach than pure transactional to the selection of the

subcontractors and maybe another level of relationship between the organisations.

The roles are in the majority of the cases are explicitly defined and although there is no role overlapping there is integration of several roles in the same person. That is a distinct characteristic of small firms especially if it is considered in the case of the managing director that may also perform the role of project manager. That provides him with that intimate knowledge of the work that enables the creation of new visions. However that role integration (or overload) may disable him to satisfactory meet all expectations and so some roles may be neglected for others to be performed (Mullins, 2002). That leads to a conflict of priority which in turn is based on managers perception of what his job is and is illustrated by the often focus on operational activities with a consequent neglect of the strategic ones. As a manager said: "it is like you are a doctor with 5 specialties, if only one you could get better at it"(Papadakis).

5. Conclusion

This research aims to take a closer look on the strategy development process in SMEC. It was initiated due to the realisation of the importance of small firms for the construction industry and the inability of the existent theory to support the managers' action. It considers small firms as part of the growth process of the firm. From this point of view, the literature regarding small firms was reviewed to sett of the unique character of small firms in terms of their culture, structure, contact and thinking. The context was further specified through the consideration of small firms in construction, which in turn emphasised the effects of outsourcing and the importance of formal and informal networks. A theoretical framework was then formed with the concepts that were identified as important from the previous review, i.e. autonomy and independence, perception, strategic awareness. Emergent strategy, incrementalism, culture, politics and learning, were recognised as particularly important and were further considered in the context of SMEC.

The qualitative research method undertaken, provided reach insights in both the managers perception and the actual practice while the experience of the fieldwork indicated once more the inability of the SMECs' managers to realise the value of research and the concept of strategy. That highlighted the need to attune theory and practice of strategy to benefit SMEC.

Tracking the process of strategy development and implementation, allowed for critical features and points to be identified. Overarching implicit mission, considering either growth or survival with sufficient returns, was identified as a fundamental variable in the strategy formation, that is however unconscious and irrational, drawing from concepts such as manager's motivation and values. A common pattern was recognized regarding the initiation of strategic change based on issue awareness. Information retrieved by the informal local networks, renders them as the main influences on the strategic vision formation. A comparison with theory proved the lack of vision articulation as particularly important to the successful strategic change. Regarding the formation process initially two different trends where stated by the managers, i.e. imitation of competitors (although rare) or incremental creation of new strategy which however does not provide the variety expected. The

phenomenal similarity between the mainly market oriented strategies of the firms under consideration was explained in terms of shared local culture and knowledge and the project resemblance. However the observation that similar 'strategies' deliver different rates of growth and outcomes in terms of success or failure, revealed another factor in the strategy formation, the firms approach to handling change, which could be based on the current capabilities and seeks to add depth to them through an incremental development of strategy or to seeks to stretch them through improvisation. That observation revealed also a gap between the managers perception of the way they do strategy and the process it is actually done. The discussion concluded with the actors affecting strategy, which found limited and mainly playing the role of the facilitator-approver, thus not as dominant as the theory indicated – especially for the family members. Limited attention seems to be paid to sub-contractors, which may be proved a serious pitfall for the emergent strategy development.

Recommendations Based on the discussion above several recommendations can be made to facilitate the SCEC's managers to better understand and thus improve their strategy development and implementation process. To start with, a clear view of the real values, ambitions and beliefs should be, as explicitly as possible, shaped, so as the selection of the issues to be pursued to be in compliance with the firm's paradigm. That way the firms will be able to avoid the 'trap' of perception that droves them to imitation and thus replication. Furthermore, the firm itself should be included in the sources of the emergent issues -the issues already emerge but it seems that nobody is looking, which should be broader defined than 'market opportunity'. That would make the firm less externally oriented and would encourage managers to become involved in developing their firm –its employees and its capabilities. That is what is going to give them real flexibility in strategy development. That is relevant also to their need to start accumulating knowledge as a firm and not as individuals. Helpful would be, a process of systematic evaluation-feedback to be applied that would give them the time to reflect on their previous experience and help their improvement. Engaging in such processes also requires considering the projects as parts or possible initiators (according to the kind of the firm) of a program, which means that the firm has, not a long-term planning but a long-

term perspective of its strategy. In the case of the outsourcing, looking inside the firm means looking inside its network. In such case good vision diffusion and assimilation is necessary to secure, the networks commitment to the firms strategic change. In such a case though, strategic change should be obviously beneficial for the network, too. While if the network is based on relationships and trust then gaining commitment and developing an overall supportive culture is easier. Additionally recognising where the firms lie in the spectrum would help them to better select their network and realise which are the true competitors.

This research tried to reveal only a small part of the strategy development process, a more accurate and full picture could be drawn only after longitudinal studies. A further goal could be a suitable theory for the SMEs that take into account their learning distinctiveness, to be developed. Useful would also be to study the transition of the small firm to a larger scale and its implications for firm's strategy. Additionally the effect of the networks to the strategy formation, a subject that was only slightly touched upon in this research, deserves further attention.

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Appendix

Group 1: Basic information

Semi-structured
interview's
questionnaire

1. When was your firm founded?

2. Are you the owner or others involved? (If so in what way, e.g. joint owners, family, equity partners but not managers)

3. How is your firm organised? (Services offered, organisational structure)

4. How many people do you employ directly?

5. What range of project do you undertake by value?

Group 2

1. What have been the most important shifts in your firm's history in terms of new initiatives and changes in its strategy? (an alliance, a new service, change of the work process, a deliberate growth) (identify underlying causes of major changes) How has your firm reacted to this?

    ✓ *Can you determine what triggered that change?*

    ✓ *Was it intentional and well planed or you just 'grabbed an opportunity'?*

    ✓ *Was there a specific event that relates to that shift? Was it a one-off/unique event? If not: Why do you think it was utilized at that specific time?*

    ✓ *If not an event but let's say an idea: How did you come up with that idea?*

    ✓ *How do you proceed in the process of formulating strategy? How do you recognise a strategic issue?*

2. How do you proceed with introducing a new initiative/strategy?

    ✓ "suck it and see" (pilot on one project or introduce it in a low key way across the firm and see if it works)

    ✓ "trial and error" (not having definite ideas as to its shape but seeing how it works out – taking a vision and refining it experientially)

    ✓ careful planning and communication, perhaps with formal feedback and review periods.

3. Which are your goals for the future of the company? How do you intend to pursue them? How long in the future do you plan?

Group 3: Actors and Factors

1. What were the main influences in you taking new initiatives and changing strategy? (e.g. copying competitors, hearing ideas from others in your business and social network, other staff and your own idea).

2. Who was involved in taking any new initiatives and strategies forward – shaping and implementing?
   - ✓ family members (as advisors, approvers and actors)
   - ✓ other managers (actors)
   - ✓ employees (actors)
   - ✓ professional consultants (advisors)
   - ✓ investors (advisors, approvers)
   - ✓ creditors/bankers (advisors, approvers)
   - ✓ customers (advisors – market research)
   - ✓ suppliers (advisors)

3. What sort of difficulties/resistance to new ideas have you faced inside the firm? (cultural rigidities, norms – mainly for 'second generation' owners or appointed managers, not founders)

4. Can you say something about people's roles – do most people take on several roles in the firm?
   - ✓ Are they encouraged to take the initiative beyond their accepted role(s)?
   - ✓ Are projects run fairly autonomously with project managers having freedom of operation (assuming the project is going reasonably well)?
   - ✓ What role do you play in monitoring project progress and managing individual projects?
   - ✓ To what extent have individual projects and project management teams been the source of new initiatives?

Concluding question:

Which are the differences between small and large construction companies? Where are the small ones inferiors and where are they surpass the large ones?

Schedule of
interviews

Firm	Interviewee	Job title	date	duration
Baltatzis Construction ltd	K. Baltatzis	Managing director/owner	18 / 7	42 min
Anastasakos ltd	T. Anastasakos	Project manager/family member	18 / 7	50 min
Kosyfakis construction s.a.	T. Kosyfakis	Managing director/joint owner	19 / 7	60 min
Euroland Greek Homes	M. Gereoudakis	Managing director/joint owner	21/7	60 min
Chr. &D. Glabedakis s.a.	Chr. Glabedakis	Managing director/owner	22/7	65 min
Marmi s.a.	J. Markantonis	Managing director/owner	25/7	45 min
A. Mauromatakis ltd	M. Mauromatakis	Project manager/family	25/7	43 min
Katsarakis sa	A. Katsarakis	Managing director/joint owner	28/7	38 min
A2G s.a.	J. Papadakis	Co-director/joint owner	28/7	55 min
Promas s.a.	N. Pagalos	Managing director/owner	28/7	45 min
Varidakis & Mamoulakis Construction ltd	M. Mamoulakis	Managing director/joint owner	28/7	37 min
S. Polychronakis construction company	S. Polychronaki	Managing director/owner	29/7	40 min