

BUSINESS DEVELOPMENT STRATEGIES USED BY GENERAL CONTRACTING
CONSTRUCTION COMPANIES IN TEXAS FOR MARKET DIVERSIFICATION

A Thesis

by

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Submitted to the Office of Graduate Studies of
Texas A&M University
in partial fulfillment of the requirements for the degree of

MASTER OF SCIENCE

May 2004

Major Subject: Construction Management

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ABSTRACT

Business Development Strategies Used by General Contracting Construction Companies
in Texas for Market Diversification. (May 2004)

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The construction industry in recent times is seen to be highly competitive and dynamic. To remain progressive in such an environment construction companies need to be aggressive in terms of getting business. This is where the importance of marketing and business development comes into play. This thesis addresses the different business development strategies used by general contracting construction companies in Texas for market diversification. Initially, a framework is established for this study through the presentation of brief history and marketing theories. Then, through literature review, four common business development strategies are identified, which are in turn later used to compare the data collected from the industry. Data are collected via surveys of general contractors in Texas. Results show that companies which satisfied majority of the four characteristics identified previously showed better growth. Further conclusions are discussed and future recommendations are also presented.

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INTRODUCTION

Background

The commercial building industry is comprised of some of the brightest and most creative architectural and engineering mindsets. These talented professionals bring expertise and skill, thus working towards a common goal, to satisfy their client. In fact, the entire construction industry is based on the concept of making sure that the owner receives what he requests (Pryor, 2001). Everyone in construction must be cognizant of the technology, products, financing, processes and ever-changing conditions of today's market. In order to remain progressive and forward looking, a firm's decision makers need to assume more prominent roles and incorporate strategic planning to ensure survival of their respective companies as well as the construction industry. Marketing strategy is acknowledged to play an important role in the success of a construction company in this highly competitive industry (Bessom, 1975).

In order to make a company better, its strategic plan should be a calculated one based on the business acumen of the decision makers and the knowledge they possess collectively about the construction industry. It describes the overall business plan, including the plan for business development (Pryor, 2001). A company's marketing department formulates the marketing goals and objectives that are defined in the strategic plan.

This thesis follows the style and format of *Construction Management and Economics*.

The marketing department is responsible for implementing this strategic marketing plan. There are many ways of growth and expansion for a construction company, the study of everything would not be feasible in a short span. This thesis is to study the market development strategies, the factors influencing design making and the way companies implement their strategic plan, so that best practices can be identified.

Problem statement

The purpose of this research was to identify the business development strategies used by construction companies in the Texas for market diversification.

Research objectives

The objective of this research was to explore the following aspects:

- 1) To analyze and find out whether strategies vary with geographic regions.
- 2) To identify if there is any conscious effort taken by companies in marketing such as a separate department for business development for preparing the market plan.
- 3) To identify and analyze if companies with marketing plans have higher sales growth than the ones which did not have a plan.
- 4) To identify and analyze if companies that are customer oriented have higher sales growth than the ones which did not have a plan.

Limitations

Data collected through surveys will be based on knowledge and personal experience of respondents.

Delimitations

As mentioned before, the companies and their strategies are vast and so the study needs to be limited to the following areas for feasibility of study:

- New markets will include only new geographical domestic markets
- The research will be limited to medium and large sized companies.
- Only private companies are included in the study.
- Only general contracting companies are included in the study.

Assumptions

To study about companies, surveys were used. The surveys included opinions of individuals and therefore the following assumptions were made:

- It was assumed that the parties filling out the survey were knowledgeable about the relevant topics.
- It was assumed that the participants would fill out the survey honestly and accurately.

Definitions

The following terms will be widely used in this thesis:

Business development - A company's team effort of combining various departments of skilled professional expertise to answer ultimately all client questions and to prove to the client why the company should be retained for the project.

Customer segmentation - The identification of homogenous client groups for the purpose of knowing their needs and to respond specifically to them.

Corporate strategic plan - The overall business plan which establishes a company profile, that identifies managerial strengths and weaknesses, competitive edge, financial strength, and technical strength for five or more years.

Market diversification - The process of expansion of companies into new geographical regions offering the same set of services that they offer in other regions.

Marketing mix - The elements that an organization controls to satisfy or communicate with customers. This includes product, place, promotion, price, people, physical evidence and process.

Market positioning - Establishing and maintaining a position in the market with respect to the competitors.

Market research - A study to identify the features that are most important to customer, the level of these features which customers expect, what customers think the company can and should do when problems occur in service delivery.

Services marketing - Marketing of services, which include deeds, processes and performances.

LITERATURE REVIEW

History of construction marketing

According to Smyth (2000), there have been four eras of construction. These were:

- 1) railways in the 1800s;
- 2) urban infrastructures of 1930s;
- 3) electricity generation era; and,
- 4) petrochemicals in the post world war era.

Civil engineering and government projects were more prominent in domestic markets during the early eras. The strategic side of business development for contractors began in 1930s. Recession was the main driver. Since governments dominated the construction market, marketing and selling remained underdeveloped until the oil crisis in mid 1970s. During the late 1970s and early 1980s, U.S. companies faced competition from international construction companies. Networking through government officials, local representatives, financial institutions became important. This was the beginning of having to develop a sales capacity within the senior management level (op.cit.). Privatization became more prominent during late 1980s and early 1990s. Many companies went through booms and slumps of the market, and a few of them emerged successful. Restructuring and delayering to create a client focused structure and strategic planning was essential during the early 1990s. But this process did not happen. Trends can be seen on better market planning and more efficient organizational structures. Investment is not intended to reflect the amount of resources put into marketing, but how

existing resource allocation is applied. Marketing has now become a high profile activity for construction organizations everywhere. Recast as more than mere advertising and promotion, marketing now has an important place in many construction corporations' strategic policies, and is seen generally as contributing directly to corporate performance (Narver and Slater, 1990).

Corporate strategic planning

Strategic planning is a road map for the long-term destiny of a company. It establishes the overall business plan for the company. Corporate planning is usually done by top level management including CEOs, CFOs, Presidents, Vice-Presidents and other department heads. The strategic plan encompasses the following:

- company mission;
- goals and objectives;
- acquisitions and growth options; and,
- market plan (Pryor, 2001).

Company mission statement

Strategic planning is based on the fact that all markets undergo evolutionary change, including mutable client needs, technologies, competitors and laws. A mission statement ensures that all senior level executives possess the same philosophy and direction. A well formulated mission statement serves as an incredible marketing piece. An excellent statement is a paragraph that succinctly captures the company's purpose. Those that surpass a paragraph in length tend to become diluted in content and convoluted in form.

A mission statement is an important philosophical piece for employee also because it states the company's expectations (Pryor, 2001).

Goals and objectives

The goals and objectives look forward to what the company plans to achieve in the future. These should always be related to the company mission. There are three primary areas of company goals – profit, finance and personnel (Pryor, 2001). Many plans fail because of lack of time, commitment and forethought. The best approach is for senior management to calculate their objectives and to understand completely all types of issues that they will have to deal with in a growth environment.

Growth options

There are several options available for companies to grow such as market penetration, service diversification, market diversification and pioneering (Smyth, 2000). This research concentrates on market diversification which is the provision of existing services to new markets. Such growths require medium risk and medium investment. Through a company risk profile, the senior management should determine its comfort zone. At this point, some theories related to services marketing can be discussed.

Services marketing and the marketing mix

The construction industry is characterized by product and services marketing. Zeithmal and Bitner (2000) defines services to include all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced, and provides added value in forms (such as convenience, timeliness, comfort or health) that are essentially intangible concerns of its first purchaser". In recent years,

service marketing has become more prominent due to intense specializations, development of management and consulting services.

Zeithmal and Bitner (2000) defines the traditional marketing mix as composed of the four P's: product, prices, place (distribution) and promotion. These elements appear as core decision variables in any marketing plan. All the variables interact with each other and depend on each other to a certain extent. Because services are produced and consumed simultaneously, customers are often co-producers and so they interact directly with the company's personnel. Moreover, since services are intangible the marketing mix is extended to include people, physical evidence and process.

Corporate market planning

A corporate marketing plan describes the tactics that a company would use to meet its overall corporate objectives. Growth is developed by identifying and seeking out new opportunities, promoting the firm's products and services, including responsibility for technical appraisals and supply of advice to customers on all aspects of the firm's business from procurement to final delivery. Marketing in construction embraces the key elements needed to successfully operate in the expanding sectors for design and build work, partnering, management contracting etc. Historically the concept and design of the project were largely under the control of an architect or engineer and the contractor's area for commercial influence was limited. Large contractors operating in design and build construction will benefit considerably by carrying out marketing studies since some turnover comes from negotiated contracts. It is in this field that contractors can offer attractive packages to the client and thereby have more control over revenue. The

business development function is essentially the implementation of the market plan (Harris and McCaffer, 2001) A company will thus need all major technical and managerial elements required to draw clients into meaningful contracts such as capital sourcing, scope/feasibility services, cost planning, estimating, construction planning, buying, legal and contractual matters.

Market position and segmentation

As the construction industry becomes more global and national boundaries less relevant, the survival of a construction firm is determined by its ability to create and sustain a strategic market position (Ngowi et al., 2001). Defining individual marketing position is a company's identification of work in the public or private sector. This research is restricted to the private sector. Multiple scenarios exist in this sector. For example, one company can specialize in the construction of retail stores, and another can specialize in the construction of both retail stores along with churches. Businesses of various types have placed new demands upon the construction industry within recent years. A company that focuses on these latest trends can enhance its marketing and seek segmented markets in which to conduct business. When a company enters a niche, it must be aware of the singular specifications germane to that industry. Whichever segmented market a company enters, the owner must define the company's position and its capabilities to perform the requisite work.

Market forces and competition

Competition is widely seen as an effective spur to improve performance. Firms are selected to undertake construction projects and the prices for their works are established

by competition. Professional education and training very largely accept without question that the best way to select contractors is to invite competitive bids from competent firms. Such competitions serve to drive down prices (Bennett, 2000). The disadvantage is that this causes problems such as poor quality work, late completions etc. as contractors struggle to make a profit out of the prices established by competition. The advantage of competition is that it motivates people to beat the current norms, improve performance and strive for quality in their product and delivery of service. This paves the way to research, innovation and technological advancements, which ultimately benefit both the customer and the seller. It becomes important that construction companies should adopt the advantages provided by competition and find out ways to overcome the disadvantages.

Business development strategy

To set new objectives, the company must be prepared to undertake the most thorough investigation of itself and its business opportunities. This investigation typically involves two stages:

- formulating a business forecast; and,
- assessing strengths and weaknesses of the company (Harris and McCaffer 2001).

Business forecast

All companies buy and hire factors of production, in the form of labor, material and equipment. Initially capital is borrowed or saved to purchase the goods, which are then turned into other products, which are sold at a profit, the lender of the capital thus being

rewarded for putting money at risk. The company that knows the market well is thus in a better position to improve its competitiveness and profitability. The main areas of the forecast for a construction company are the following:

1. Analyzing competition for contracts

A brief survey of the past performance of other companies will tell us the areas of contracting which have been successful and are favorable for development or conversely to avoid because of fierce competition. The main points are:

- The present share of the company for each of the different classes of work carried out.
- The share and turnover for each of the major competitors.
- The recent growth record and profitability of major competitors
- The record of obtaining work of each type in competition related to past mark up levels (Harris and McCaffer 2001).

2. Analyzing potential for new business

- Apart from studying the competitors, specific opportunities must be researched for finding patterns and trends.
- The type and volume of work available for tender and negotiation during past years, the number of competitors tendering for different contracts, the location of work and the clients involved.
- Forecast of growth opportunities
- Government regulations and laws in the area (Harris and McCaffer 2001).

3. Analyzing the competition for resources

Capital - Some construction companies, because of their small asset bases, enjoy very limited access to investment capital since little collateral security can be offered to offset the lending risk. Private sources or bank overdrafts are likely to be principal providers for these companies. Consequently, some strategically well placed construction companies wishing to open opportunities in bigger markets tend to face take over pressures from more powerful companies with access to long-term capital and business development skills.

Materials and labor resources - Access to reliable sources of either labor or materials carries risks of availability. Labor supply, especially experienced managers, engineers and skilled workers is very competitive requiring major commitments on the part of companies to train and hire and the right people.

4. Analyzing the client

Any records kept on clients should be very revealing and may have considerable bearing on the final decision to enter a market. Some clients prefer to select contractors on the basis of bids, others by negotiation, partnering etc. If the company has been dropped from a client's bid list the reasons why may be important. At present, both contractor's and client's financial positions can be questioned and so there is little point in obtaining contracts if payment by client is open to doubt (Harris and McCaffer 2001).

The SWOT analysis

It is widely recognized that the heart of the whole strategic planning system is called the SWOT analysis, which identifies the *strengths and weaknesses* of the organization

for comparison with the *opportunities and threats* in the future environment (Fellows et al., 2002). The following are some of the aspects normally considered in SWOT analysis:

1. Organization structure

A company of any size must have elements of structure, style and authority or else risk the “health” of the organization. The decision makers of the company select a company culture which varies from company to company. The three styles are formal versus informal, centralized versus decentralized, and autocratic versus democratic. None of these styles is better than the other. However, a company should have clear expectations for its clients as well as its employees about the working environment. A good study of the management capabilities, skills and qualifications of the employees need to be done before venturing into a new market (Harris and McCaffer 2001).

2. Physical resources

For constructing new office spaces, land and finance will be essential. This takes time and therefore requires careful planning.

3. Financial analysis

To assess the financial strength of the company and to compare its performance with that of major competitors, financial ratios have to be calculated. Also contract trading analysis need to be done. This includes effect on profit for various contract types and different construction sectors. A checklist to analyze the threats and opportunities facing an organization is:

- political changes;

- economic changes;
- social changes;
- technological changes;
- changes in your own industry; and,
- other changes.

Promotion

The construction industry needs to communicate better with the outside world (Preece et al., 2001). The techniques for persuading the customer are many, some of which are mentioned in the following paragraphs:

Advertising

- Eye catching advertisements of company and successful projects, in magazines.
- Standard and attractive color scheme
- Sales brochures outlining activities of companies.
- Hoardings at football grounds, construction sites etc.

Public relations

- Encouraging students to visit company construction sites
- Conducting seminars and lectures
- Publishing articles
- Producing films

Customer relations

Companies should strive to promote loyalty within their clientele. A majority of the projects come from already existing customers. Well-satisfied customers also help in promoting the company, thus helping the overall business (Zeithmal and Bitner, 2000). The lifetime value of a customer also needs to be considered. Many clients are impressed by 'added values'. A contractor with backup services of experienced and well qualified staff in designing, planning, estimating, laws, insurance, industrial relations, research and development, are able to advise clients of their needs and bring projects successfully to implementation will tend to be a more credible company than one without such facilities. The company should also provide after-sales service during the maintenance period. Such co-operation can only lead to a better tendering situation in future (Harris and McCaffer 2001). Some companies move to geographical regions following the movement of their clients.

Significance of study

The literature review reveals the importance of business development strategies and how they can affect the overall growth and future of construction companies. Not many studies have been conducted in this field so far. Several pre-proposal interviews with people involved in the industry also revealed the importance of this study. This research therefore strives to analyze the various factors involved in making intelligent decisions during the preparation of business development strategies and later identify the trends that can be seen in market.

Thesis organization

The research objectives described previously form the outline for this research. The first part of the study will be a literature review of books, journals, periodicals, and World Wide Web sources related to strategies used by construction companies. The second part of the study will include a survey of construction companies in the United States. The list of the companies will be obtained from the Associated General Contractor listing and Associated Builders and Constructors listing in Texas. The questions in the survey will be formulated on the basis of the literature review. The secondary source for data of the companies will come from company brochures, public releases and annual reports. The data from each company will be analyzed to identify qualitative characteristics with the areas of inquiry. The findings will be then be subjected to statistical analysis to identify trends. From the statistical analysis, inferences will be made about the trends in business development related to general contracting construction companies in Texas. Marketing strategies will be identified and recommendations will also be provided.

METHODOLOGY

Method selection

This study utilized surveys to collect primary data. The choice of this method was dictated by the research objectives, the number of companies available, and the knowledge that the data is spread out in a vast sample. The current shortage of scholarly research in this particular area called for the objective of this research to be qualitative in nature. Leedy (1993) suggests that the nature of the data decide the research methodology: quantitative or qualitative. At first there was the need to identify and describe the strategies used by general contracting construction companies before they could be analyzed in a quantitative manner.

Surveys provided the primary source of data. Leedy (1993) suggests that questionnaires succeed to the extent that their success is planned. A survey questionnaire with multiple choice questions was the ideal choice, to get maximum response from an industry which is known for very low response rates. A survey which has only multiple choice questions restricts the thinking of the subjects and so some open ended questions were essential. During the preparation of the survey questionnaire, a brainstorming session to formulate questions was done. The original list of questions was reduced by eliminating redundant questions and refined before the actual survey was tested. The researcher prepared a questionnaire which contained eighteen questions which were framed based on the research objectives. The method of primary data collection was divided into various stages.

A pre-test of the survey instrument was conducted in a small sample to test the validity and effectiveness of the instrument. After review of the results from the pretest, the survey was introduced to the entire sample population

Secondary sources of data were taken from company brochures, annual reports, and other documents that were either public or made available to the researcher by the participants. This data supplemented the surveys, providing important information about the companies. Information relating to marketing strategies was available in the form of corporate objectives and goals.

Development of questions

The questions were formulated on the basis of a literature review. They were also organized in such a way as to answer the research questions specifically linked to the hypotheses. The primary objective of the thesis was to identify strategies used by companies to introduce their services in new markets, or in other words, the strategies they used to enter markets different from their primary working area. The literature review revealed that companies usually prepare market plans when they are getting ready to enter new markets. A market plans encompasses key elements such as project delivery systems, types of contracts, market forces, company resources and growth options. Market research provides background information for companies to frame their market plan. These were some the areas which the researcher tried to identify primarily.

Therefore questions five to ten (see Appendix A) were framed to provide answers to these areas. Another section related to marketing strategies used by companies which the researcher tried to probe into was the marketing tools used by them and the level of priority the companies gave for different marketing tools. The subjects were asked to rank order the tools.

Research hypotheses

The secondary objective of the thesis was to prove three hypotheses:

1) H_0 : Business development strategies for new geographic regions are not different from those in primary business areas.

H_a : Business development strategies for new geographic regions are different from those in primary business areas.

In this hypothesis, the dependent variable is business development strategy and the independent variable is the geographic region. The questions used to retrieve this data was designed to cover aspects such as marketing tools, resource planning, operating systems, project delivery systems, and contracting methods.

2) H_0 : Construction companies with a market plan/strategic plan for new business developments do not have higher rate of growth compared to companies without a market plan/strategic plan.

H_a : Construction companies with a market plan/strategic plan for new business developments have higher rate of growth compared to companies without a market plan/strategic plan.

In this hypothesis, the dependent variable is rate of growth and the independent variable is market plan/strategic plan. The questions used to retrieve the data to test this hypothesis were designed to cover aspects such as strategic planning, marketing research, and annual sales volume.

3) H_0 : Companies that are customer oriented do not have higher rate of growth compared to ones that are not.

H_a : Companies that are customer oriented have higher rate of growth compared to ones that are not.

In this hypothesis, the dependent variable is rate of growth and the independent variable is customer orientation. The questions used to retrieve the data to test this hypothesis were designed to cover aspects such as customer relations, customer orientation, business objectives.

A few open-ended questions were also provide along with multiple choice question especially “Yes/No” type questions to let the subjects give a reason for their answers and also to let them give information bout anything that they felt is pertinent to the study.

Study population

Several small, medium and large size companies were selected for the study, mainly because the researcher also wanted to identify if there were any trends that were associated with the size of the company, and also to find out if size had anything to do with having a market plan.

Three criteria were used to establish candidates for the study. First, only private companies were selected. Second, only companies doing predominantly general contracting works were contacted. Third, only companies who are operating in Texas were considered. The sample selected for this study was all general contractors in Texas. The decision to restrict the study to Texas was taken so as to have a base similarity and so comparison between companies would be more valid. Above all, there is large concentration of general contractors based in Texas. The study population included all the companies listed under Associated General Contractors, Association of Builders and Constructors in their respective Texas chapters and also the Construction Industry Advisory Council to the Department of Construction Science at Texas A&M University.

Pre-test

A pre-test was conducted prior to actual introduction of the questionnaire to the larger sample. For pre-testing, contractors in Austin, Texas were selected. The subjects were identified on the basis of their membership with the professional organization, the Associated General Contractors (AGC). The office phone numbers were obtained from the AGC website and phone calls were made. The phone calls were made to identify the

right person who would be able to complete the survey. Several calls were made before the right subjects were identified. Email addresses were obtained from them over the phone, after which the surveys were sent to them.

Approval from the Institutional Review Board (IRB) at Texas A&M University, regarding human subjects in research was obtained before the surveys were sent to the subjects. For the pre-testing, surveys were sent only to people to whom the researcher could personally speak to and from whom the researcher obtained the subjects' personal email addresses. The pre-test study population had 15 companies but the survey was sent to only 10 subjects. The survey questionnaires were made as forms in Microsoft Word®, a licensed word processing software of Microsoft Corporation and were attached to emails before sending to the subjects. The next stage was following up with phone calls and also sending email reminders. This kind of system was easier to track because there was one person in the company who was solely responsible for the surveys. Such a procedure also helped to minimize non-response bias.

The pre-test offered good results. Out of the ten subjects to whom the surveys were sent, six responded. Two subjects faced technical difficulties attaching the completed survey to email to send back to the researcher. The only difficulty which the researcher faced was the time delay in contacting the right person in the companies. The results were analyzed to see whether the information obtained were sufficient to answer the research questions.

Survey

After the pre-testing, some changes were made to the survey questionnaire before use in the larger sample. The survey instrument was later introduced to Houston, Dallas and San Antonio general contractors. This time the subjects were selected from the listing of Associated General Contractors, Association of Builders and Contractors and the Construction Industry Advisory Council to the Department of Construction Science at Texas A&M University. The survey instrument was emailed along with a cover letter briefing about the project, the objectives, and proof that the survey was approved by the IRB, Texas A&M University thus ensuring confidentiality. The survey was tested in several regions so as to avoid regional bias. Here again the first step was calling companies and identifying the right subjects. When this took a longer time, email addresses of the concerned people were obtained directly from receptionists or any other person in the office. Twenty surveys were distributed to companies who came for the Department of Construction Science, Texas A&M University, Career Fair. Follow-up phone calls and emails were sent to remind the subjects of the survey. Surveys which were sent at a later stage had to be sent with cover letters which had instructions on attaching the document to emails, reference contacts and phone numbers. This had to be done to add authenticity to the survey and to improve the response rate. The survey responses were obtained through email, fax and by mail.

DATA ANALYSIS

The results of the questionnaire were divided into three sections: counts of dichotomous data, pie and bar charts for qualitative data, and respondent comments. Graphical techniques are used to describe the overall data gathered. This marketing research study is descriptive because the objectives include portraying characteristics of marketing phenomena, determining the frequency of occurrence, and determining the degree to which certain marketing variables are associated. The researcher tried to identify some common practices in the industry by observing the frequency of occurrence and also tried to identify if there were any relationships between customer orientation and average sales growth, having a strategic plan and average sales growth.

Descriptive statistics

Data description was the primary objective of the researcher and the set of measurements available was the entire population. The major problem with such a vast source of data is the difficulty in organizing, summarizing and describing the data, or in other words, making meaningful sense out of the available data. Therefore, use of descriptive statistics was the best option to make interpretations of the data by reducing the large set of measurements into a few summary measures that provide a good picture of the original measurements (Kinnear, 1991). Graphical and numerical descriptive techniques were used to describe the data collected. Graphical descriptive results and summary measures are obtained from qualitative data and expressed as frequencies, bar and pie charts. These results can be seen in Figures 1-33. Of the 18 questions used in the

survey, which are shown in Appendix A, question numbers 1, 5-7, 11, 12, 14, 15 provide qualitative data and are expressed this way. They are mainly related to:

- 1) method of operation;
- 2) project delivery system;
- 3) market forces
- 4) marketing tools;
- 5) the job title of the person who completed the survey;
- 6) business objectives;
- 7) customer satisfaction indices; and,
- 8) strategic planning.

However, just describing what is in the sample was not enough to make logical inferences. The researcher wanted to make inferences from the sample to the population from which it was drawn. For this, hypothesis testing was essential.

Hypotheses testing

The numerical descriptive statistics tests used in this study included non-parametric testing. Non-parametric methods were used since the data obtained is in nominal form. Nominal data is data in which numbers serve only as labels to identify and categorize objects (Kinnear, 1991). It is this data that will form variables to do the hypotheses testing. For all hypotheses, the researcher tried to find the relationship of a certain occurrence with one variable. Therefore, a univariate data analysis procedure was employed.

As has been mentioned before, hypotheses testing typically consists of a null hypothesis and an alternate hypothesis (Ott and Longnecker, 2001). The researcher wanted to establish a statement regarding the relationship between two sets of quantities, which are:

- 1) geographic region and marketing strategies;
- 2) presence of strategic plan and average sales growth; and,
- 3) customer orientation and average sales growth.

In case of hypotheses testing, the null hypothesis is normally the opposite of what the researcher is trying to prove. Thus, by failing to reject the null hypotheses the researcher could prove that the hypothesizing was right. If not, the null hypothesis would fail to be rejected and thus prove that the researcher's hypothesizing was wrong (Ott and Longnecker, 2001).

There are some decision rules that are related to hypotheses testing. The level of significance is the probability the researcher assigned to the decision made about the null hypotheses. The chances for error are comparatively lesser since sample size is 300, and hence an α level or level of significance of 0.05 can be considered statistically significant. This means that there is a 5 % chance that the researcher is wrong in making the decision to reject the null hypothesis.

Chi-Square Goodness-of-Fit test

In a Chi-Square test, a hypothesized population distribution is compared with a distribution generated by the sample. Since all the variables of interest for all hypotheses

are dichotomous in nature (i.e., “yes” and “no”) the *Chi-Square Goodness-of-Fit* test is appropriate (Kinnear, 1991). Of the 18 questions use in the survey shown in Appendix A, question numbers 2-4, 8-10 and 13 were dichotomously scaled “yes” and “no”. Since all the hypotheses were used to find out the relationship between two variables, question number 16 provides one variable for two hypotheses. The answers to these questions were used for hypotheses testing.

The *Chi-Square* distribution is defined by:

$$X^2 = \sum \frac{(x_k - E_k)^2}{E_k}$$

$$N = x_1 + x_2 + \dots + x_k$$

k= no:of categories of the variable

x_1, x_2, \dots, x_k = observed number of respondents in category i.

E_1, E_2, \dots, E_k = expected number of respondents in category i. (Ott and Longnecker, 2001)

The statistical tables give the critical values of the chi-square distribution. Since all the hypotheses testing conforms to Univariate Chi-Square test, the degrees of freedom equal k-1 and $\alpha = 0.05$.

This research has responses from 32 respondents for the hypotheses testing and therefore N in this research is 32. The Chi-Square test works fine for sample sizes from 25-150 (Champion, 1981). The assumptions of the Chi-Square test are (1) the data must be classifiable and fit the nominal level of measurement (2) the sample size should be 25 or larger (3) the sample must be randomly selected. All of these conditions were satisfied in this research (Champion, 1981). After the Chi-Square values were obtained, they were compared to the critical values from the table for k-1 degrees of freedom at the 0.05 significance level. The responses from the respondents are differentiated into two categories for each hypothesis as shown in Tables 1 and 2. These are as follows:

Hypothesis one:

Table 1 1 X 2 table for hypothesis 1

	Categories	
	Same	Different
Marketing strategies in primary and new geographic areas	x	y

Table 2 Observed frequency table for hypothesis 1

Observed frequencies	Same	Different	
MARKETING STRATEGY: in primary area and new area	15	17	N=32
Percentage distribution	46.875%	53.125%	N=100%

In this case $k=2$ categories, 'same' and 'different'. Therefore, the expected frequencies in each cell can be calculated as follows:

$$N/k = 32/2 = 16$$

As seen in Tables 3 and 4, this distribution of frequencies is based on the assumption that companies with same and differing strategies are distributed equally.

Table 3 Expected frequency table for hypothesis 1

Expected frequencies	Same	Different	
MARKETING STRATEGY: in primary area and new area	16	16	N=32
Percentage distribution	50%	50%	N=100%

The following Chi-Square test is applied:

$$X^2 = \sum \frac{[(x_k - E_k)^2]}{E_k}$$

$$X^2 = [\frac{(15 - 16)^2}{16}] + [\frac{(17 - 16)^2}{16}]$$

$$X^2 = [\frac{(1)^2}{16}] + [\frac{(1)^2}{16}] = 0.125$$

Therefore the observed Chi-Square value = 0.125. The table value of Chi-Square value with degree of freedom as $k-1$, which is 1 in this case and significance level 0.05, is 3.841. The table value is larger than the observed Chi-Square value, and therefore, the H_0 cannot be rejected.

Hypothesis two:

Table 4 2 X 2 table for hypothesis 2

		Categories- Sales growth	
		Yes	No
Presence of a Strategic Plan	Yes	a	b
	No	c	d

Figure 1 is used to categorize the companies based on their average growth rate in ascending order.

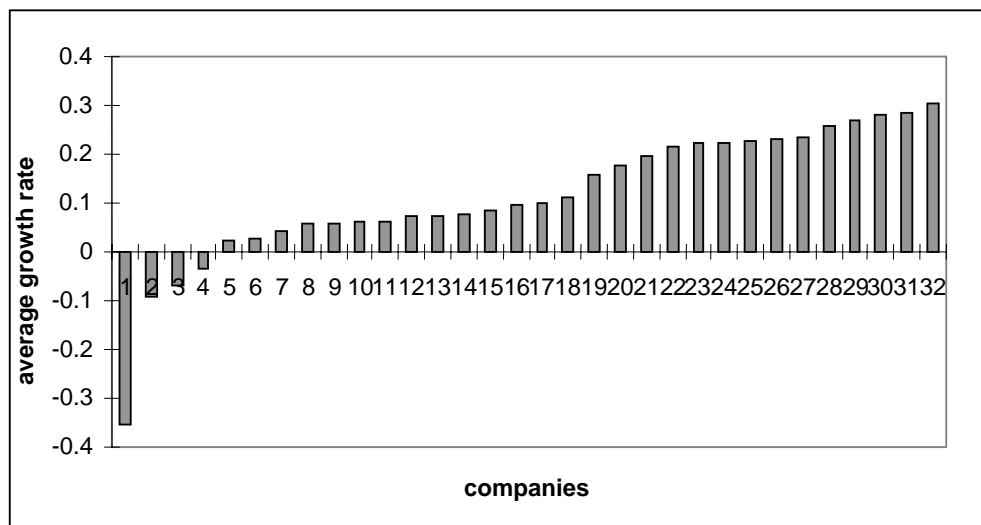


Figure 1 Growth rate of sample companies

Table 5 Observed frequency table for hypothesis 2 considering bottom 1/3 companies as 'no growth'

	Sales growth -no	Sales growth -yes
Formal marketing plan - yes	5	12
Formal marketing plan - no	7	8

SAS output when the bottom 1/3 companies, as shown in Table 5, are considered 'no growth' companies and upper 2/3 companies are considered 'growth' companies is shown below.

The SAS System

The FREQ Procedure

Table of group by outcome:

group outcome

Frequency,

<u>Expected</u>	<u>SG Y</u>	<u>SG N</u>	<u>Total</u>
MKP_Y	12	5	17
	, 10.625	, 6.375	
MKP_N	8	7	15
	, 9.375	, 5.625	
Total	20	12	32

Statistics for table of group by outcome:

<u>Statistic</u>	<u>DF</u>	<u>Value</u>	<u>Prob</u>
Chi-Square	1	1.0123	0.3144
Likelihood Ratio Chi-Square	1	1.0152	0.3137

Statistic	DF	Value	Prob
Continuity Adj. Chi-Square	1	0.4099	0.5220
Mantel-Haenszel Chi-Square	1	0.9807	0.3220
Phi Coefficient		0.1779	
Contingency Coefficient		0.1751	
Cramer's V		0.1779	

The observed Chi-Square = 1.0123. The table value of Chi-Square value with degree of freedom as $(k-1)(k-1)$, which is 1 in this case and significance level 0.05, is 3.841. The table value is larger than the observed Chi-Square value. Therefore, the H_0 cannot be rejected.

Table 6 Observed frequency table for hypothesis 2 considering companies falling below median as 'no growth'

	Sales growth -no	Sales growth -yes
Formal marketing plan - yes	9	10
Formal marketing plan - no	7	6

SAS output when companies falling below median, as shown in Table 6, are considered 'no growth' companies and those above median are 'growth' companies (50/50) is shown below.

The SAS System

The FREQ Procedure

Table of group by outcome:

group outcome

Frequency,			
<u>Expected ,</u>	<u>SG_Y,</u>	<u>SG_N</u>	<u>Total</u>
MKP_Y ,	10 ,	9 ,	19
,	9.5 ,	9.5 ,	
<u>Expected ,</u>	<u>SG_Y,</u>	<u>SG_N</u>	<u>Total</u>
MKP_N ,	6 ,	7 ,	13
,	6.5 ,	6.5 ,	
<hr/>			
Total	16	16	32

Statistics for table of group by outcome:

<u>Statistic</u>	<u>DF</u>	<u>Value</u>	<u>Prob</u>
Chi-Square	1	0.1296	0.7189
Likelihood Ratio Chi-Square	1	0.1297	0.7188
Continuity Adj. Chi-Square	1	0.0000	1.0000
Mantel-Haenszel Chi-Square	1	0.1255	0.7231
Phi Coefficient		0.0636	
Contingency Coefficient		0.0635	
Cramer's V		0.0636	

The observed Chi-Square value = 0.1296. The table value of Chi-Square value with degree of freedom as $(k-1)(k-1)$, which is 1 in this case and significance level 0.05, is 3.841. The table value is larger than the observed Chi-Square value. Therefore, the H_0 cannot be rejected.

Hypothesis three:**Table 7** 2 X 2 table for hypothesis 3

		Categories- Sales growth	
		Yes	No
Customer Orientation	Yes	a	b
	No	c	d

Table 8 Observed frequency table for hypothesis 3 considering bottom 1/3 companies as 'no growth'

	Sales growth -no	Sales growth -yes
Customer orientation - yes	5	13
Customer orientation - no	7	6

SAS output when the bottom 1/3 companies, as shown in Tables 7 and 8, are considered 'no growth' companies and upper 2/3 companies are considered 'growth' companies is shown below.

The SAS System

The FREQ Procedure

Table of group by outcome:

group outcome

Frequency,

Expected , SG Y, SG N, Total

MKP_Y , 13 , 5 , 18

	, 11.25 ,	6.75 ,	
MKP_N	, 7 ,	7 ,	14
	, 8.75 ,	5.25 ,	

Total 20 12 32

Statistics for table of group by outcome:

<u>Statistic</u>	<u>DF</u>	<u>Value</u>	<u>Prob</u>
Chi-Square	1	1.6593	0.1977
Likelihood Ratio Chi-Square	1	1.6616	0.1974
Continuity Adj. Chi-Square	1	0.8466	0.3575
<u>Statistic</u>	<u>DF</u>	<u>Value</u>	<u>Prob</u>
Mantel-Haenszel Chi-Square	1	1.6074	0.2049
Phi Coefficient		0.2277	
Contingency Coefficient		0.2220	
Cramer's V		0.2277	

The observed Chi-Square value = 1.6593. The table value of Chi-Square value with degree of freedom as $(k-1)(k-1)$, which is 1 in this case and significance level 0.05, is 3.841. The table value is larger than the observed Chi-Square value. Therefore, the H_0 cannot be rejected.

Table 9 Observed frequency table for hypothesis 3 considering companies falling below median as 'no growth'

	Sales growth -no	Sales growth -yes
Customer orientation - yes	11	10
Customer orientation - no	5	6

SAS output when companies falling below median, as shown in Table 9, are considered 'no growth' companies and those above median are 'growth' companies (50/50) is shown below.

The SAS System

The FREQ Procedure

Table of group by outcome:

group outcome

Frequency

<u>Expected</u>	<u>SG_Y</u>	<u>SG_N</u>	<u>Total</u>
CO_Y	11	10	21
<u>Expected</u>	<u>SG_Y</u>	<u>SG_N</u>	<u>Total</u>
	10.5	10.5	
CO_N	5	6	11
	5.5	5.5	
Total	16	16	32

Statistics for table of group by outcome:

<u>Statistic</u>	<u>DF</u>	<u>Value</u>	<u>Prob</u>
Chi-Square	1	0.1385	0.7097
Likelihood Ratio Chi-Square	1	0.1387	0.7096
Continuity Adj. Chi-Square	1	0.0000	1.0000
Mantel-Haenszel Chi-Square	1	0.1342	0.7141
Phi Coefficient		0.0658	

The observed Chi-Square value = 0.1385. The table value of Chi-Square value with degree of freedom as $(k-1)(k-1)$, which is 1 in this case and significance level 0.05, is

3.841. The table value is larger than the observed Chi-Square value. Therefore, the H_0 cannot be rejected.

Survey results

The primary question for the qualitative data was to identify whether their new market venture was within their primary market area or outside their primary market area. Based on that, the rest of the responses were classified. The first topic of interest was the method of operation in new markets.

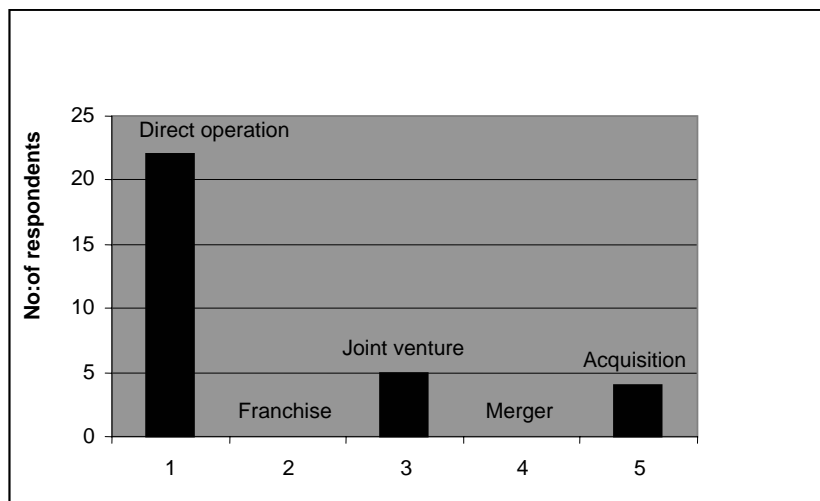


Figure 2 Operations within primary area

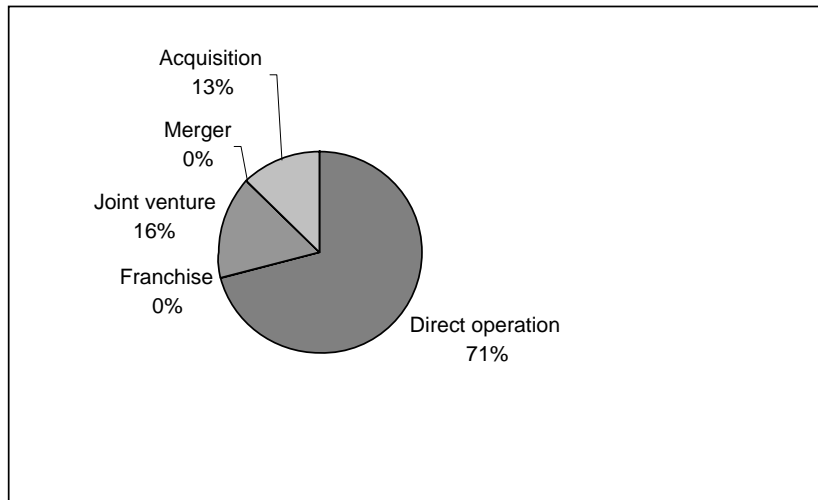


Figure 3 Operations within primary area expressed as percentage

Figures 2 and 3 shows that for ventures in a primary market, 71% of respondents resort to direct operation, followed by joint ventures (16%), and acquisition (13%). Whereas, in the case of operations outside the primary area, which are shown in Figures 4 and 5, 80% of respondents resorted to direct operations followed by mergers (20%). In the case of operations within primary area, acquisition is a feasible option because the acquiring company would have greater knowledge of the company that they are acquiring. Joint venture is also possible for the same reason. It is easier to trust someone whom they have known for a long time. These two options are less feasible when trying to venture into a new area because it becomes riskier for the company, which is acquiring or going in for joint venture. Joint ventures help the companies to pool in resources, technical capabilities and capital. Merger is a feasible option in operations outside the primary area, so that the name of the partner company can be utilized in getting established in the new geographic region.

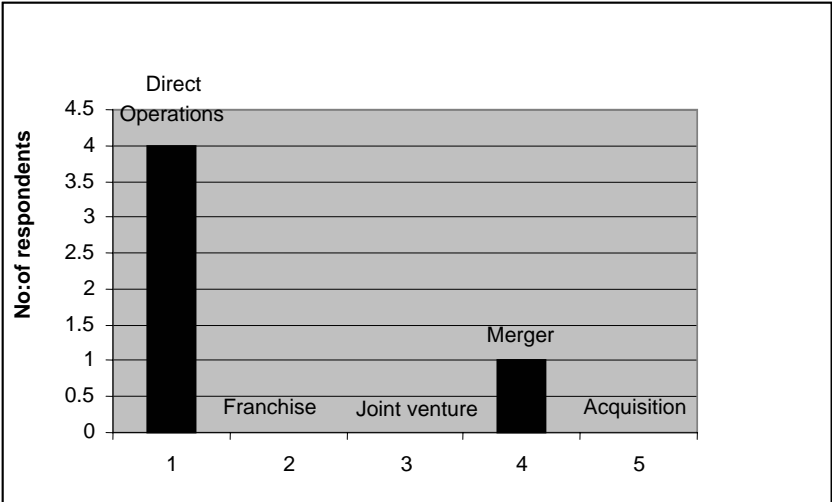


Figure 4 Operations outside primary area

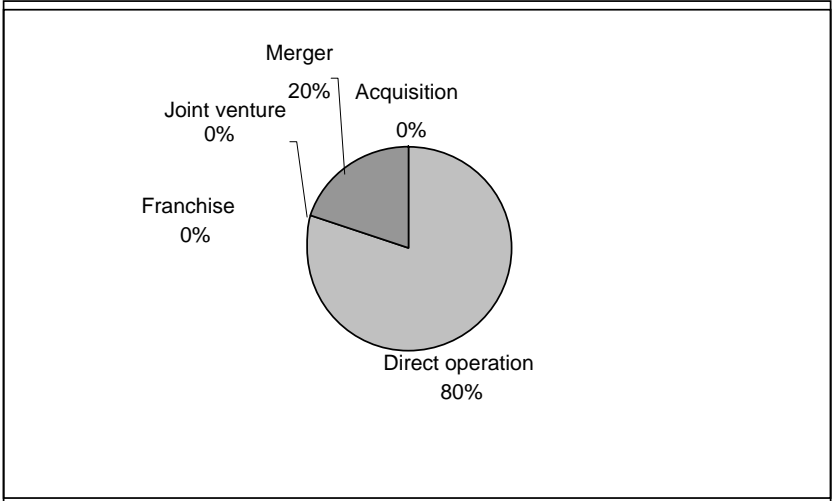


Figure 5 Operations outside primary area expressed as percentage

Question number six was to identify the project delivery system that the companies used in their operations. Several companies have more than one delivery system. Giving points every time a delivery system is picked, the following frequencies were obtained as shown in Figures 6, 7, 8 and 9. Comparing operations within primary area and outside primary area, it can be seen that negotiated bidding is more preferred while operating in

the primary area (36%) than in the new area (14%). This could be because of the familiarity of clients. It is easier to negotiate with people whom the companies are familiar with. Design/Build is the most preferred system while operating outside the primary geographic area (43%). This could be because there is only a single point of contact and also because this system is more professionally and technically advanced. Competitive bidding and CM@risk are almost equally used in operations within and outside the primary area.

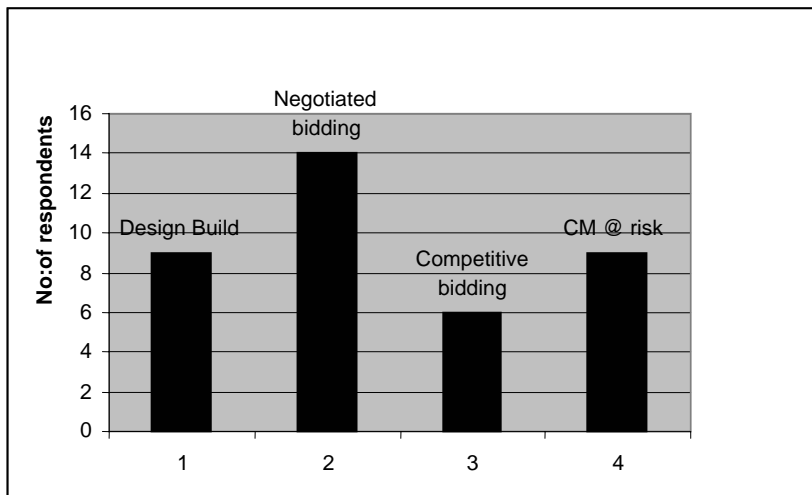


Figure 6 Delivery system within primary area

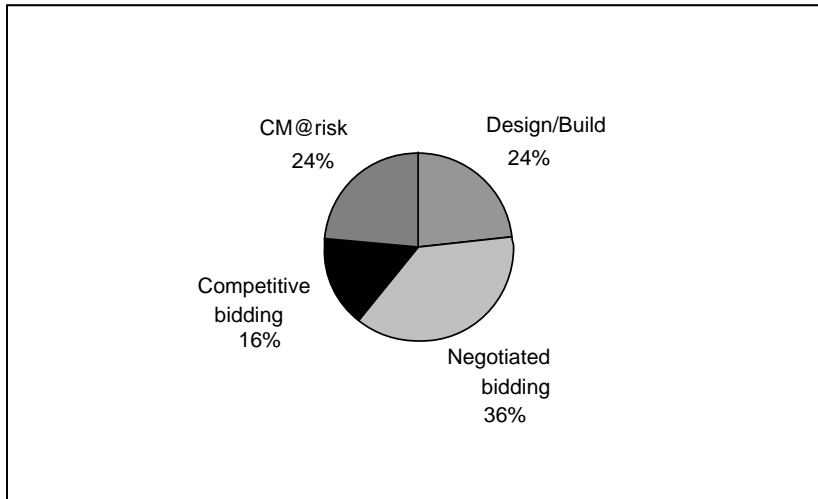


Figure 7 Delivery system within primary area expressed as percentage

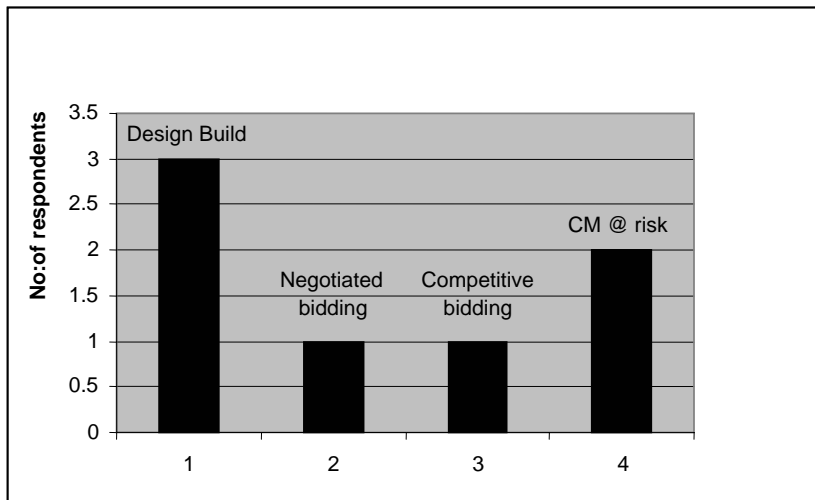


Figure 8 Delivery system outside primary area

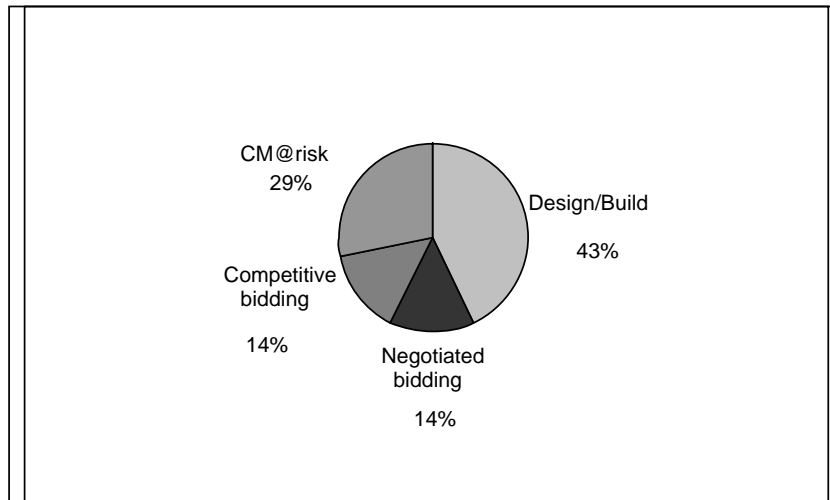


Figure 9 Delivery system outside primary area expressed as percentage

Question number seven was to identify the market forces that affected market entry. For operations within primary area, competitive (44%) and economic forces (35%) were more prominent. For ventures into new geographic regions, socio-cultural (10%) and regulatory (10%) forces were more prominent than ventures in the primary area (3% and 6% respectively) as seen in Figures 10, 11, 12 and 13. This is expected because there are variations in law from place to place and companies need to be aware of that. The attitude of people and working style also changes from place to place. The companies need to be aware of this when they venture into unfamiliar territories.

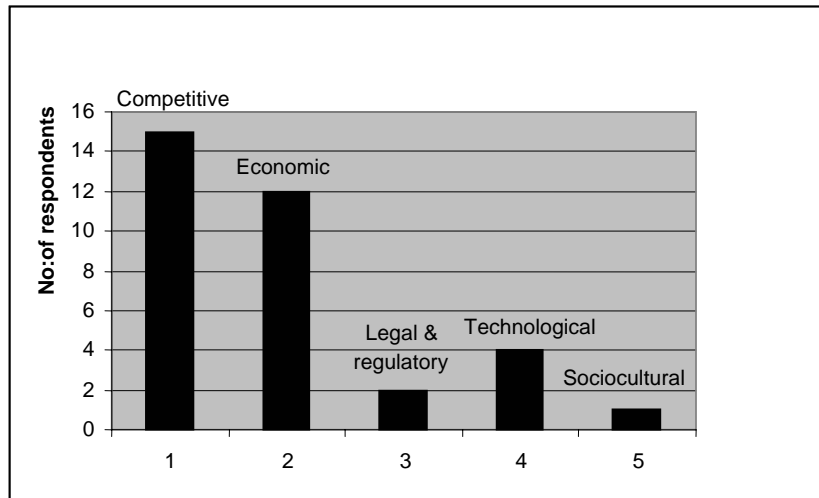


Figure 10 Market forces within primary area

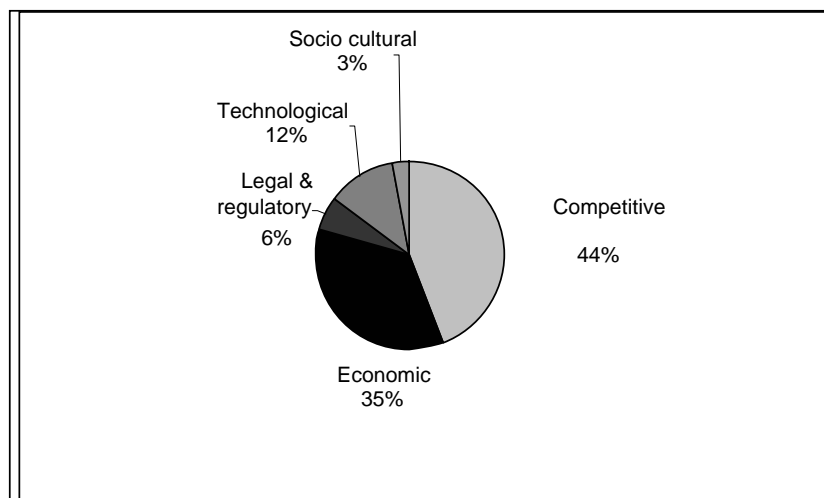


Figure 11 Market forces within primary area expressed as percentage

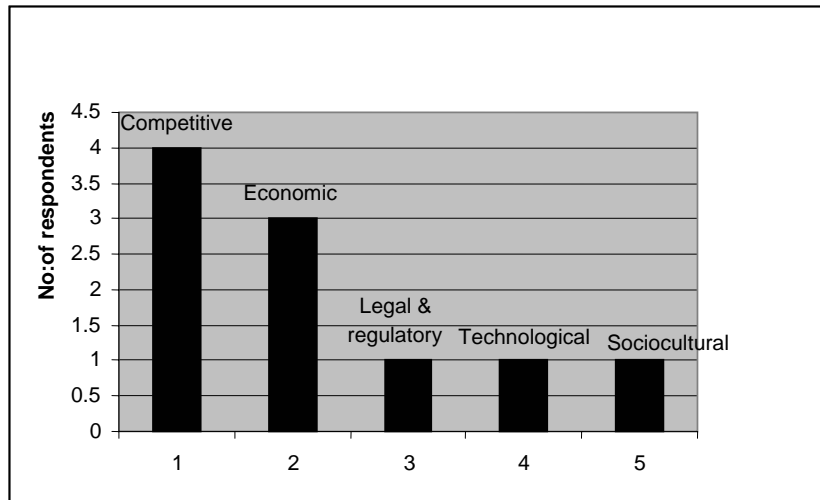


Figure 12 Market forces outside primary area

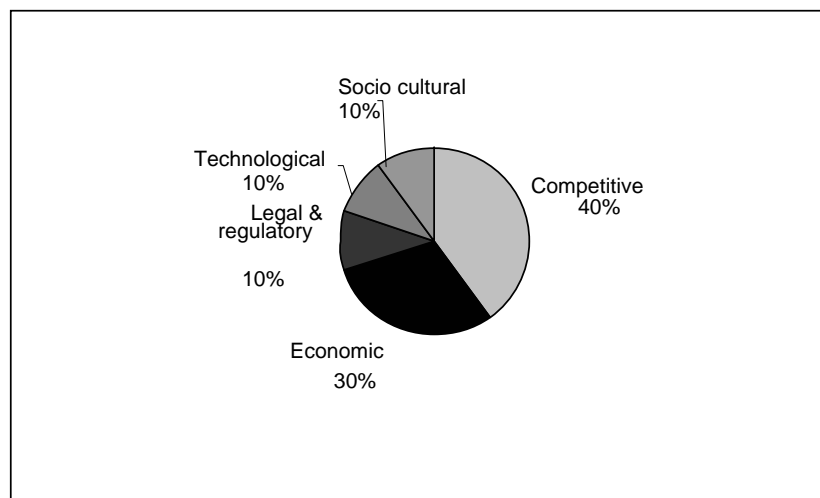


Figure 13 Market forces outside primary area expressed as percentage

Question number eight was to identify whether the companies undertook market research before their new venture. It can be said that undertaking a market research shows planning capabilities of the company. For ventures in the primary area, 59% of the respondents said “yes” and for ventures outside the primary area, 100% of respondents said “yes” as shown in Figures 14, 15, 16 and 17. In the former case, the

high percentage of “no” respondents is because they are probably familiar with the market conditions and market forces and so they did not have to undertake research. In the latter case, 0% of “no” respondents is because nobody wanted to take the risk of not knowing properly about the area that they were stepping into. The researcher is linking market research with the presence of strategic business planning within the companies because market researches are essential components in the process of preparing a business plan. So, companies who did not undertake market research were also mostly classified under companies, which did not have a strategic plan. This categorization is again dependent on the answers, which the companies gave for question numbers nine and ten.

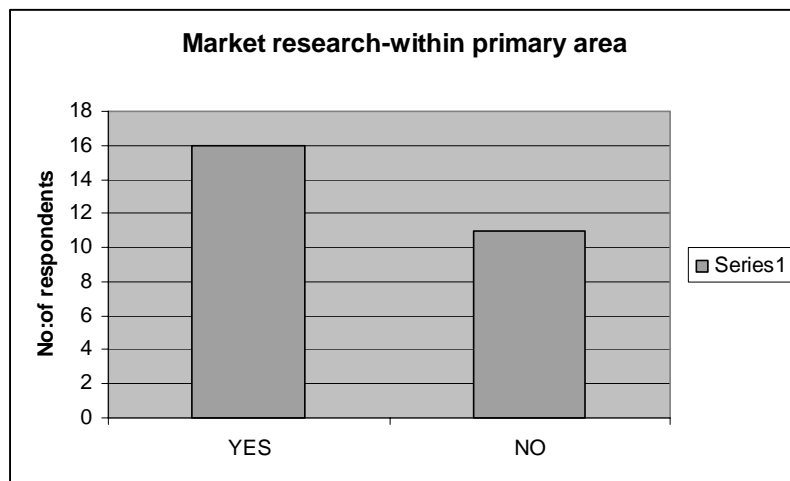


Figure 14 Market research within primary area

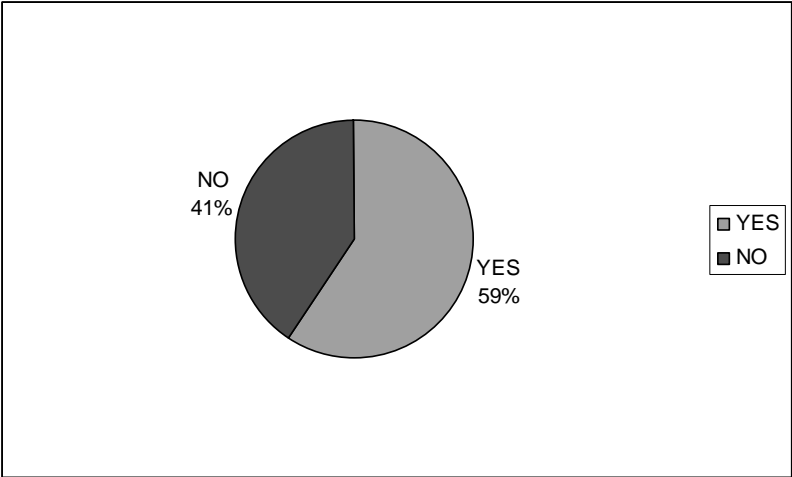


Figure 15 Market research within primary area expressed as percentage

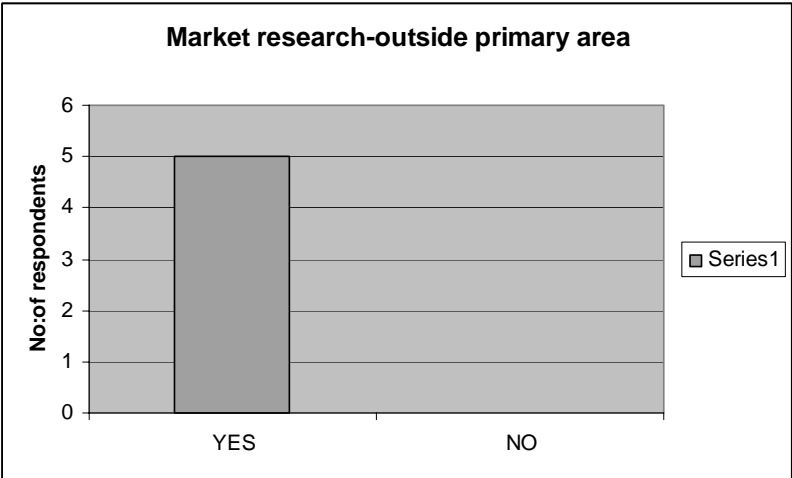


Figure 16 Market research outside primary area

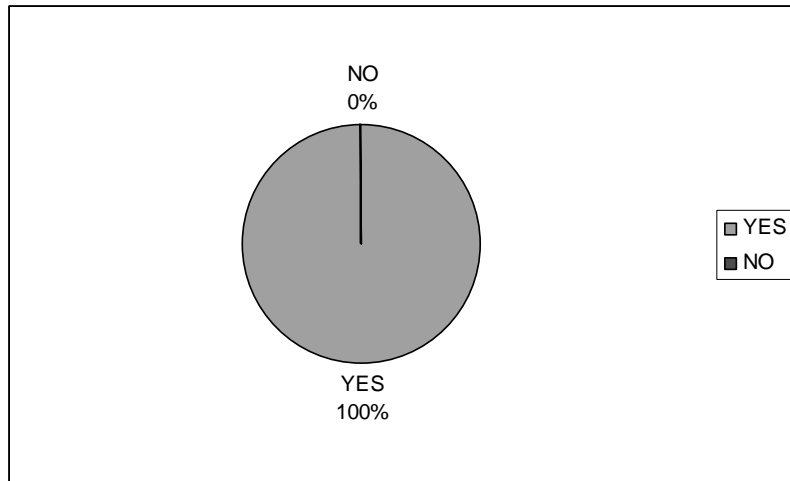


Figure 17 Market research outside primary area expressed as percentage

Question number nine, regarding business objectives was asked to find out whether the companies had any fixed business objectives before they took up their business venture. It was found that for ventures inside primary area, 19% of the respondents did not have fixed business objectives. When compared to ventures outside primary area, this value was 0% as shown in Figures 18, 19, 20 and 21. The researcher links the presence of having fixed business objectives as part of the strategic plan. The researcher reasons that for ventures outside primary business area, it is more important to have fixed business objectives since the companies are spending a good amount of money for such ventures.

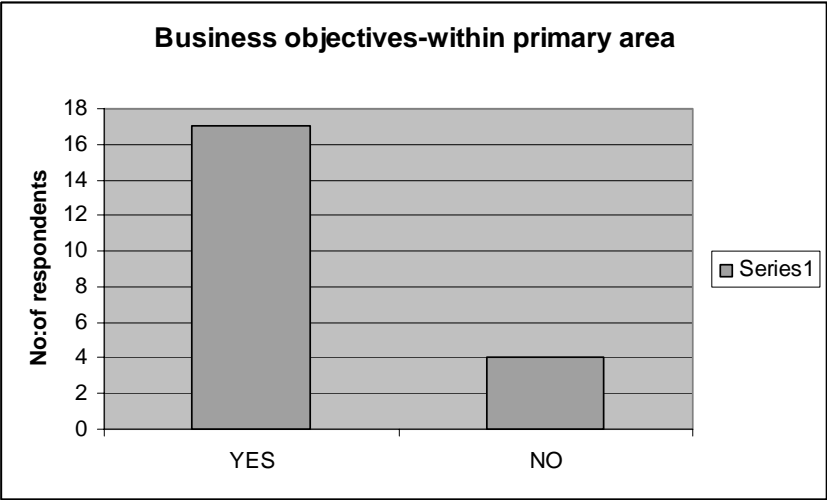


Figure 18 Business objectives within primary area

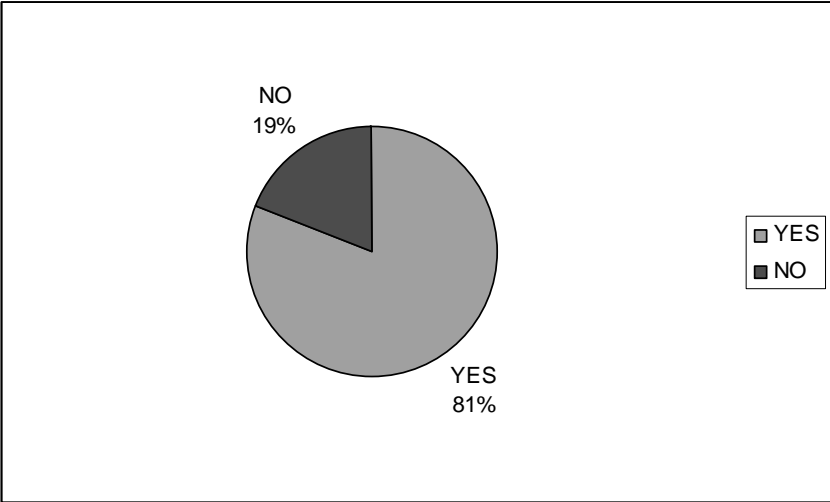


Figure 19 Business objectives within primary area expressed as percentage

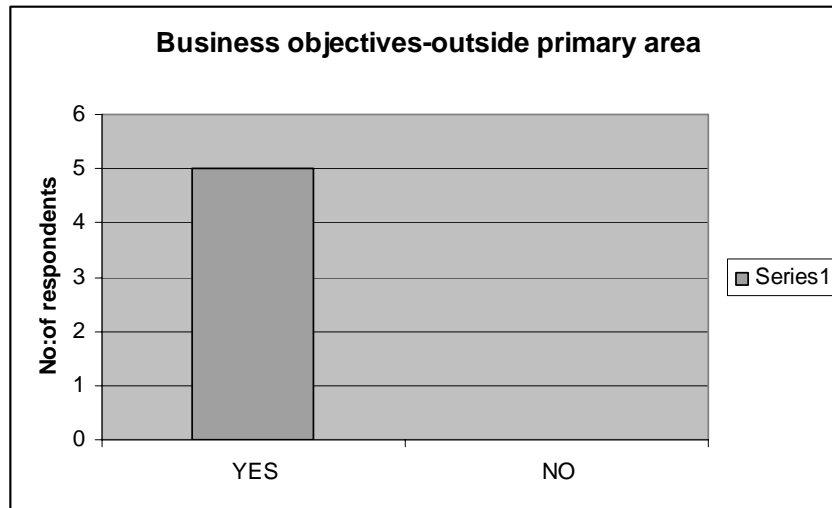


Figure 20 Business objectives outside primary area

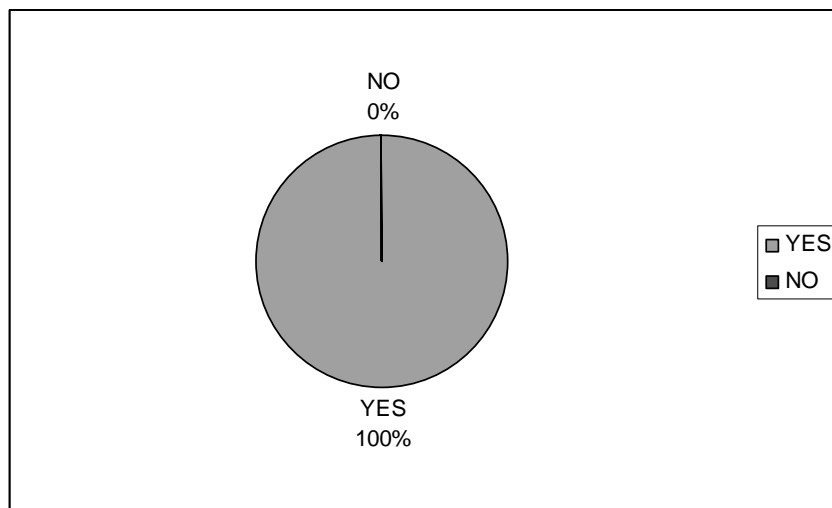


Figure 21 Business objectives outside primary area expressed as percentage

Question number ten was to identify whether the companies undertook internal resource planning before venturing into new markets. In case of ventures within the primary area, there was a small percentage of respondents (11%) who said that they did not have to undertake internal resource planning as seen in Figures 22, 23, 24, and 25. The researcher again links the aspect of internal resource planning to the overall strategic

planning capabilities of the companies. It could be possible that the companies who said “no” to internal resource planning directly operated their projects from the main office.

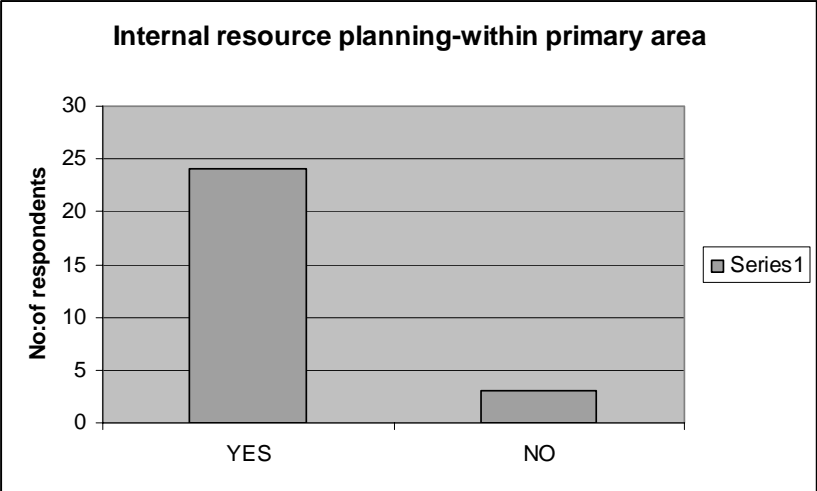


Figure 22 Internal resource planning within primary area

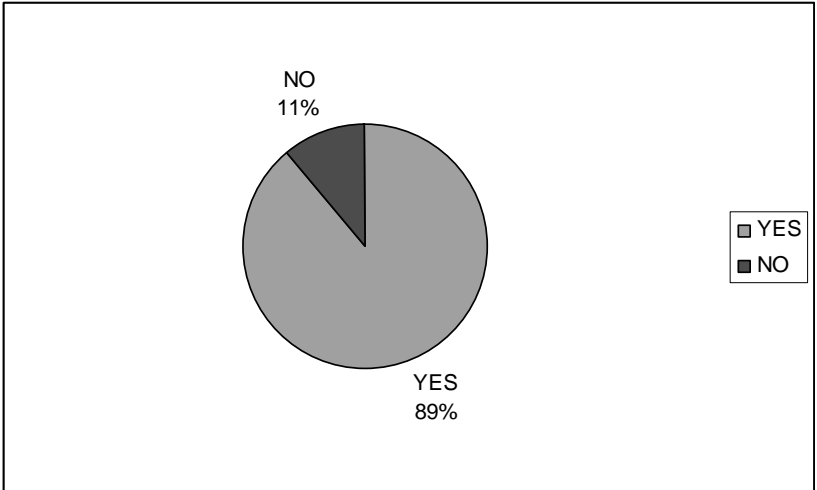


Figure 23 Internal resource planning within primary area expressed as percentage

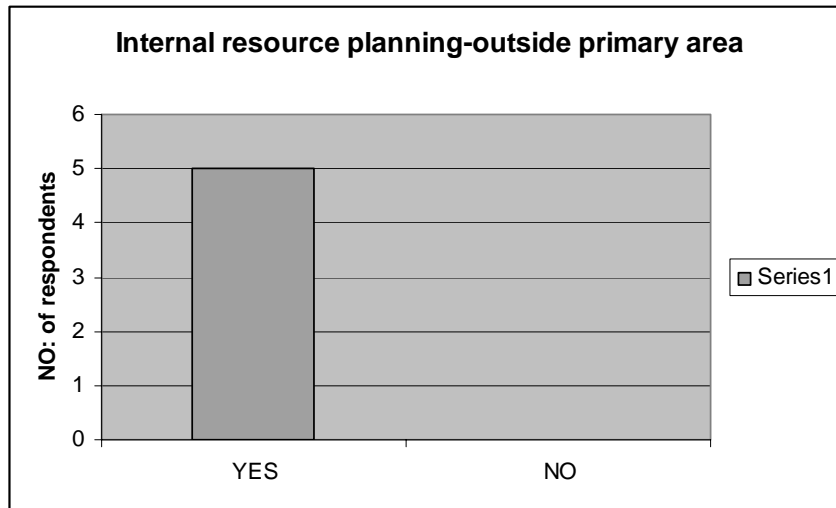


Figure 24 Internal resource planning outside primary area

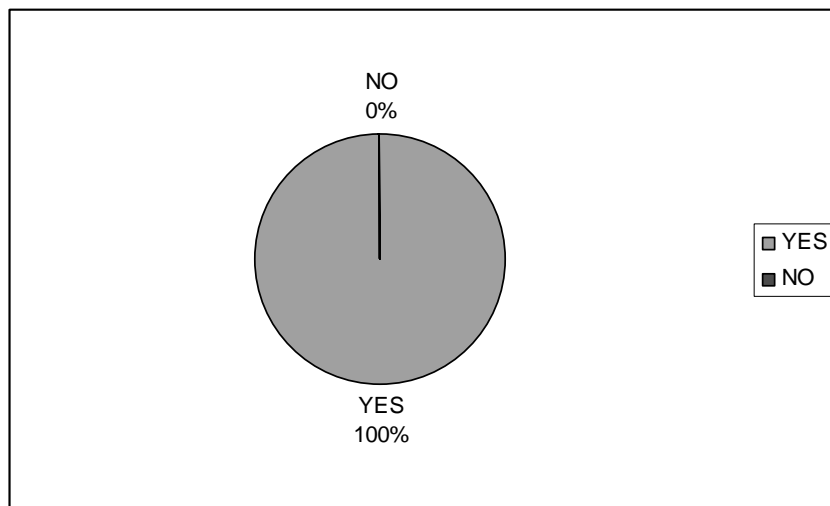


Figure 25 Internal resource planning outside primary area expressed as percentage

Question number thirteen was posed to analyze whether the companies had a formal system for measuring customer satisfaction with service quality. The researcher linked this aspect to the customer orientation of the companies. It was found that of companies who ventured within their primary market area, 69% had a formal system of measuring customer satisfaction, and of the companies who ventured outside their primary market

area, 75% had a formal system of measuring customer satisfaction as seen in Figures 26, 27, 28 and 29. So it can be reasoned that, when companies enter unfair territories, they are more cautious and proactive.

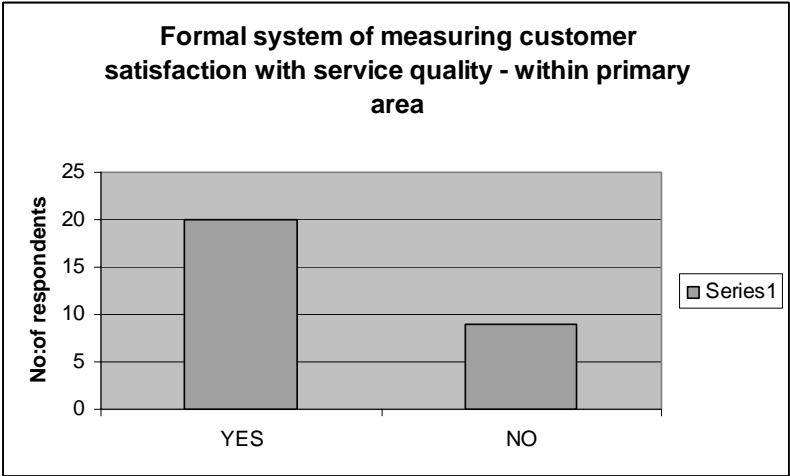


Figure 26 System of measuring customer satisfaction within primary area

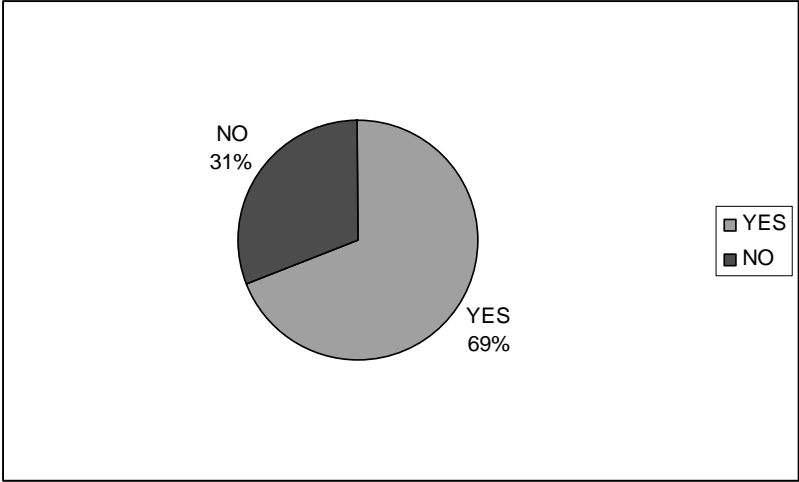


Figure 27 System of measuring customer satisfaction within primary area expressed as percentage

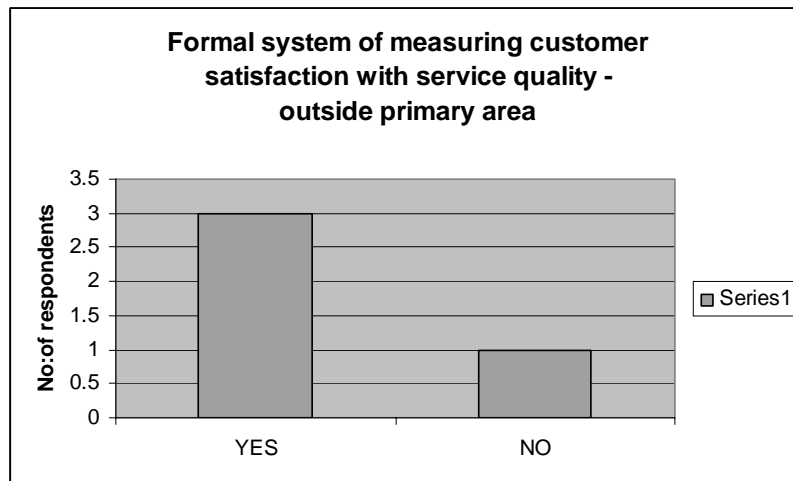


Figure 28 System of measuring customer satisfaction outside primary area

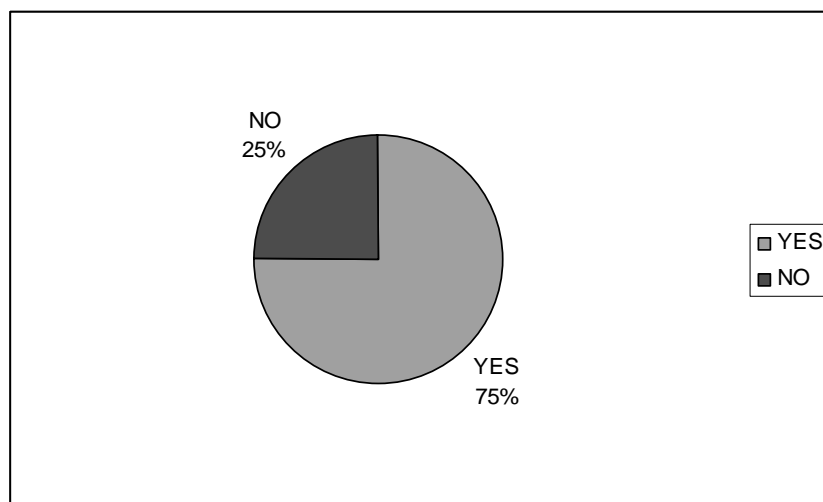


Figure 29 System of measuring customer satisfaction outside primary area expressed as percentage

The next set of questions was slightly different from the previous set. Question numbers eleven and twelve were used to rank the marketing tools that the companies used in their ventures according to the order of importance. It was seen that for ventures within the primary area personal selling was ranked first by maximum number of respondents. Advertising was ranked lowest as seen in Figure 30. An interesting

observation is that for ventures outside the primary area, both personal selling and product quality were ranked number one. Advertising was still the lowest as seen in Figure 31. This could be because for ventures into new geographic areas, the services offered by the companies were new to the market and so product quality was the most tangible component of the services that the companies offered. The lowest ranking of advertising can be due to the nature of the matter that is sold. In construction, the marketing is of services, and advertising of services is more difficult and less effective than product selling. Pricing strategy was ranked third and vendor relations /sales promotions were ranked fourth in both ventures within and outside the primary area.

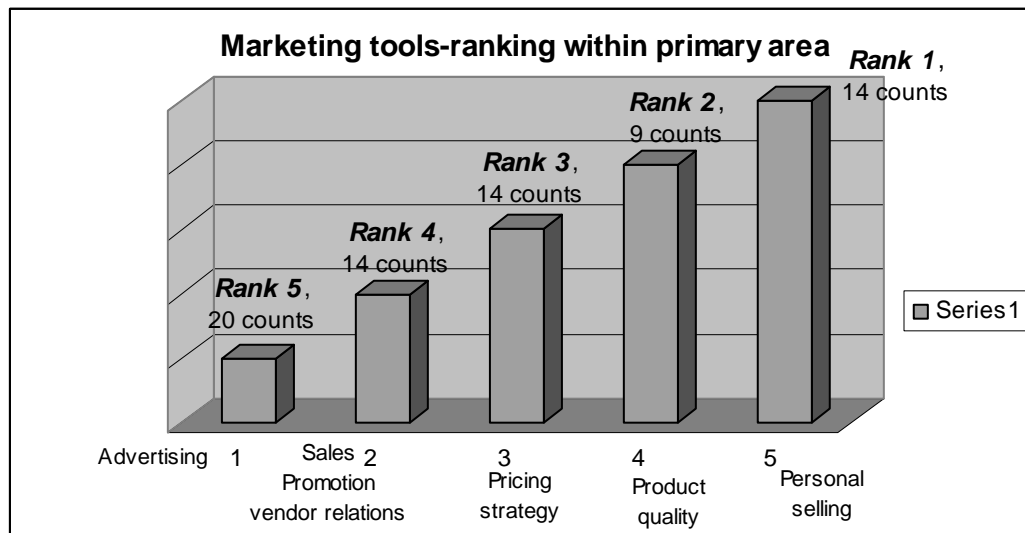


Figure 30 Ranking of marketing tools within primary area

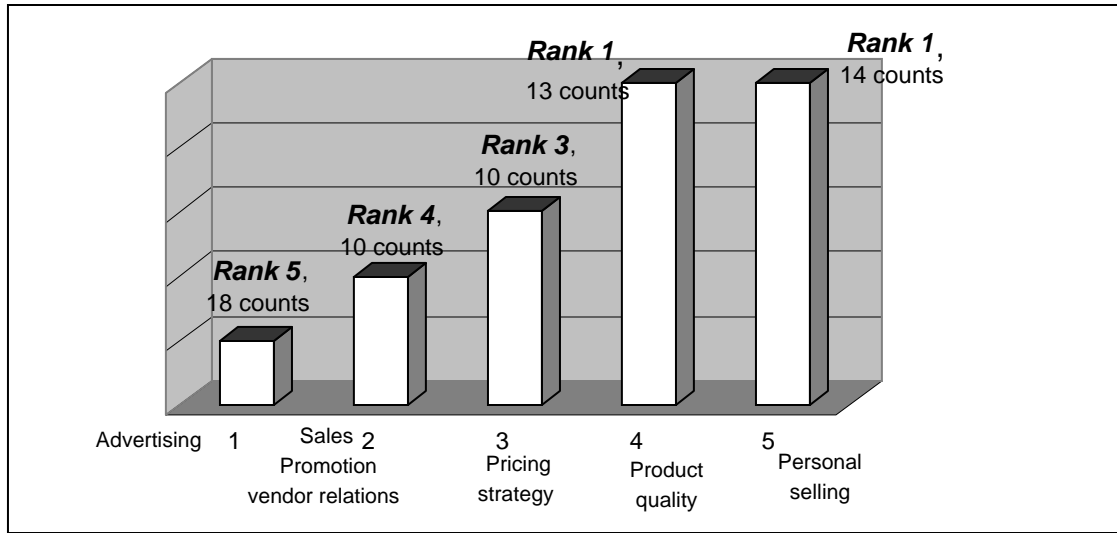


Figure 31 Ranking of marketing tools outside primary area

Question number fifteen was related to the business objectives of the companies. The respondents were asked to rank their business objectives in the order of importance. It was found that satisfying customers was ranked first by maximum respondents and reducing costs was ranked lowest as seen in Figure 32. Most of the respondents believed that getting repeat business and making profits often followed the idea the satisfying customers and so satisfying customers was the most important.

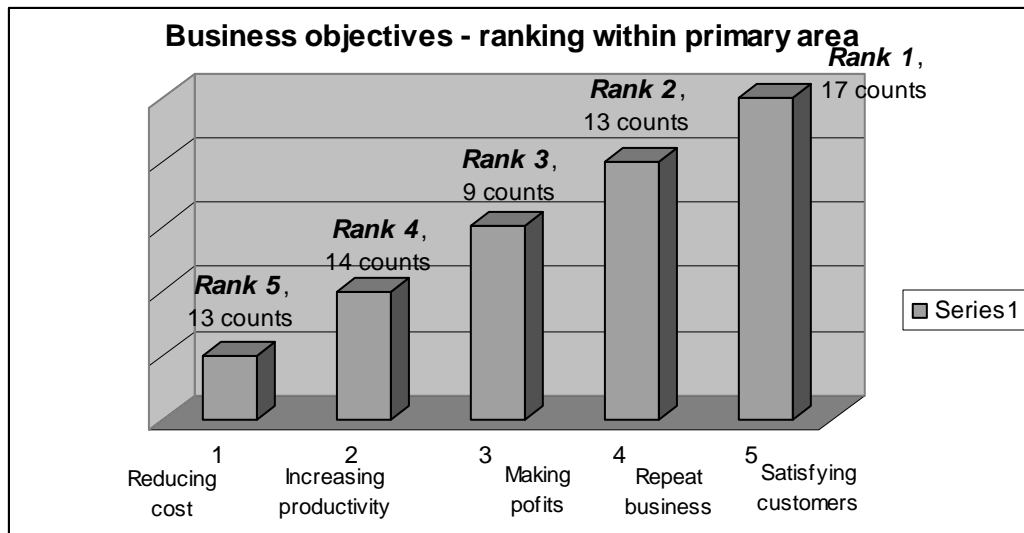


Figure 32 Ranking of business objectives within primary area

Question number fourteen was posed to find out the extent of customer orientation that the companies have. The respondents were asked to scale the extent of customer orientation that they have on various aspects. The majority of the companies always had customer satisfaction as a component of management decisions, always resolved customer complaints, always resolved feedbacks, and always had customer satisfaction as a component of employee evaluation and compensation. An interesting observation that can be seen here is that the least number of respondents marked “always” for “customer satisfaction as a component of employee evaluation and compensation”. It can be seen that there is a slight disparity here. Maximum number of companies had customer satisfaction as a component of management decisions. The companies should probably try to bridge the gap between having customer satisfaction as a component in management decisions, and using customer satisfaction component to evaluate employees. Customer satisfaction is directly linked to repeat work and more profits. The

idea of top management should be implemented through the actions of the employees.

All these observations are represented through Figure 33.

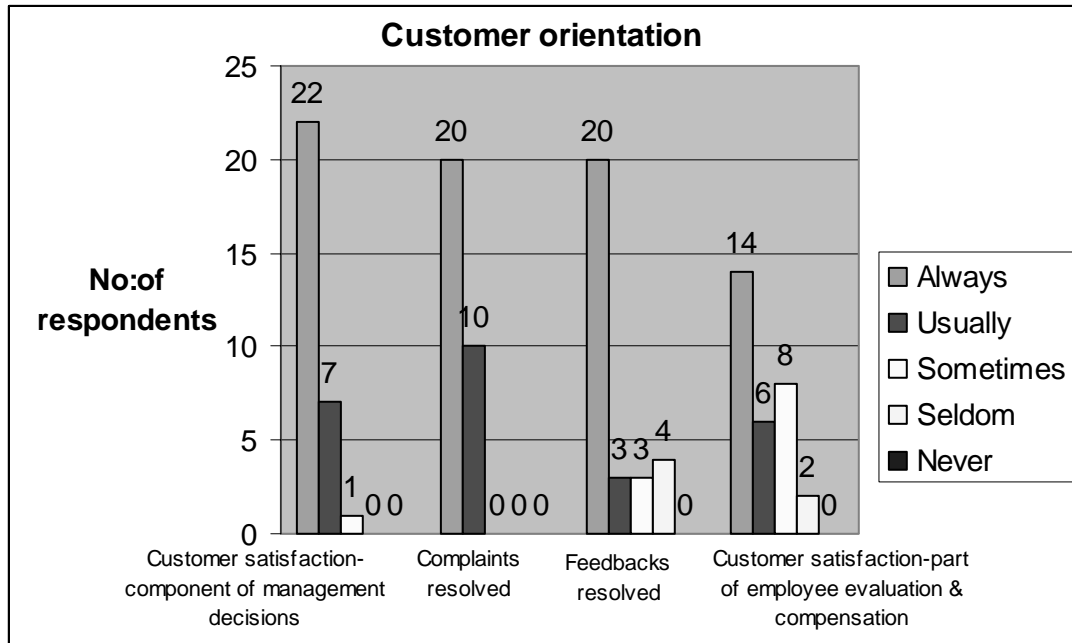


Figure 33 Customer orientation

CONCLUSIONS

Findings from respondents' comments

Monopoly in market

It was seen from several respondents' comments that they prefer to enter a market where they know that they can have a monopoly. In other words, companies, which knew that they would have a competitive and technological advantage over other players in the new market ventured into new areas. This strategy also included targeting certain market segments where competition was less.

Pursue one project

Several respondents expressed that they preferred to target one particular project to enter a new market. During the execution of that project, the company understands the new market and the players in that particular region and later decides whether to continue working in the market or not. Some companies also follow their clients to new markets. Such entries are less risky for the companies.

Join with local players

For some general contractors entering new markets, the players, the legal, regulatory and economic forces were new to them. To overcome these difficulties they teamed up with local players such as subcontractors, suppliers, and laborers or even went in for joint ventures.

Establish good PR

Many respondents expressed that good word of mouth and networking was important to stay in business. Individuals working in the marketing department did most of the service selling and were usually the first people to go to the new market. Some companies also indicated that over 50 % of the work was obtained through repeat clients thus highlighting the importance of relationship selling.

External factors

Some of the external factors that the companies indicated were economic forces and behavior of market. During economic down cycles it was important for companies to search for opportunities in new markets to stay in business. Sometimes the markets became stagnant and again it became important for companies to venture out into new markets in search of growth opportunities.

Recommendations

- Having a competitive and technological advantage makes market entry easier because there will be lesser competition in that sector. Being an expert in specific areas and by targeting a certain segment will help the companies focus on their primary business objectives.
- Networking, or in other words personal selling, is an important aspect of getting new projects into any market. The marketing mix for services marketing consists of people and processes. Thus the people who network become an essential ingredient of the business development process.

- Customer orientation is an essential factor in relationship building. This should be incorporated into the company mission and business objectives.
- If a company knows that it is the only player in a certain market, it does not need a specific strategic plan. But long term goals are important for economic growth. This is where well planned market positioning comes into play.
- Market research is important while entering new geographic areas to know the working style of subcontractors, regulatory issues in the area and scopes of works conducted by subcontractors.
- Joint ventures with local companies help to reduce competition and local forces acting against the entry of new companies. Such ventures can take advantage of local market knowledge and relationships.
- A good rapport with clients is a must because they may bring work to the companies even during economic down cycles.
- Companies should do SWOT analysis which should include a business forecast and this should be incorporated into the market plan.
- As one of the respondents has clearly stated, the goal is to make *clients* and not *customers*. There is more personal attachment in the former and the seller needs to gain the clients' confidence in the first few moments of contact for long lasting relationship.
- Developing separate marketing plans for different market sectors, helps to focus and plan resources for market entry.

- When growth stunts in existing markets, the business developers should be far sighted enough to look for new opportunities and such ideas should be part of the strategic plan.
- When the purpose of entering new markets is to serve existing clients, the best way of operation is *direct operation* because competitive forces are lesser in such cases.
- Relationships with clients should be maintained until project completion. Completion of project to the perfect quality with proper management of close out documents is essential to create a long lasting impression about the general contractor.
- As one respondent clearly mentioned, for commercial developers, tensions may run high as they struggle to begin leasing the project by moving the construction loan to permanent financing. Therefore, it is essential for general contractors to stick to the schedules to maintain good relationship with clients.
- Though it could not be proved using hypothesis testing, the relationship between having customer orientation and sales growth, the general observation and comments of companies who were categorized in the 'growth' category expressed strong customer orientation. This is the same case with having a market plan for entries into new markets. The presence of a market plan shows vision, far sightedness, planning capabilities. A market plan will help companies plan for any unforeseen circumstances that may occur in future. A majority of the companies in the growth category expressed very strong planning ideas.

Recommendations for future studies

Sample size is one of the critical factors involved in making a statistical analysis valid. Thus future studies can be conducted with wider sample sizes and with a wider sample type such as considering general contractors outside Texas. This research is restricted to general contracting construction companies and so future studies can be conducted to include Design/Build firms, subcontractors and architectural/engineering firms. In the beginning of the study, it was assumed that all the subjects who answered the questionnaires were knowledgeable in their own fields. In future, surveys can be conducted amongst a wider range of professionals in the companies who know about the working of the companies.

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APPENDIX A

**SURVEY OF GENERAL CONTRACTORS' BUSINESS DEVELOPMENT
STRATEGIES**

Please answer the following questions by marking the box that best represents your views and filling in the appropriate blanks. There is no right or wrong answer, and all responses are strictly confidential.

- 1) What is your job position?
 Marketing manager Business development manager Project executive Other
- 2) Does your company have a formal marketing strategy for business development in new geographical areas?
 Yes. Please explain briefly.
 No. Why?
- 3.) Are the marketing strategies (if any) for your company's primary market area and new geographic markets?
 Same
 Different
- 4) Your firm's major ventures during the past 5 years have been in which of the following?
 (Check only one)
 Within your primary geographical business region
 Outside your primary geographical business region

Please answer the remaining questionnaire based on the answer you gave for question 4 and also specifically about one significant venture that your company made during the past 5 years.

- 5) How does your company typically enter a new geographical market?
 Direct operation Franchise Joint venture Merger Acquisition
 Please explain.
- 6) Which is the delivery system you used in the new market?
 Design-Build Negotiated bidding Competitive bidding Construction manager @risk
- 7) Did any of the following forces affect your market entry? (Check all that apply)
 Competitive Economic Legal & regulatory Technological Socio cultural
 Please explain your choice briefly.
- 8) Did you undertake market research of your new venture area?

Yes No.

9) Did you have clearly defined objectives for your new venture before entering the new market?

Yes No.

10) Did you do any kind of internal resource planning before you entered the new market?

Yes No.

11) Please rank the following marketing tools in the order of their importance to your company's business development activities in your primary market area. (most important=1: and least important=5)

- Pricing strategy
- Advertising
- Personal selling
- Sales promotion activities/vendor relations
- Product quality

12) Please rank the marketing tools again in order of their importance for new business development in new market areas.

- Pricing strategy
- Advertising
- Personal selling
- Sales promotion activities/vendor relations
- Product quality

13) Does your company have a formal system for measuring customer satisfaction with service quality?

Yes No.

14) Please **rate** your perception of the "**customer-orientation**" of your company (1= always, 2= usually, 3= sometimes, 4= seldom, 5= never).

- Customer satisfaction is a key component in all management decisions.
- Customer complaints are quickly resolved
- Customer feedback is solicited
- Customer satisfaction is an important part of employee evaluation and compensation

15) Please **rank** the importance to the management of your company of the following **business objectives**

(1= Most Important and 5= Least Important)

- Making profits
- Satisfying customers
- Getting repeat business
- Increasing productivity
- Reducing costs

16) Please provide the total **annual sales volume** for your company for the 1996-2002 period. This information is critical to the study. It is to be used for statistical

purposes only. It is strictly confidential and will be reported only in aggregate form with data from all companies participating in the survey.

1996 1997 1998 1999 2000 2001 2002

17) What is your company's target segment currently? (Please check what is appropriate and give percentage market share for each)

Commercial	%
Transportation	%
Industrial	%
Schools	%
Medical	%
Entertainment	%
Religious	%
Residential	%
Utilities	%

18) Please feel free to add anything else related to new ventures, lessons learned, business strategies etc. that you feel are pertinent to this study of General Contractors' business development strategies.

Would you like to receive a summary of this study?

Yes *No*

Thank you for your cooperation. Please save and attach your completed survey to an email addressed to:

neo-seenukurien@neo.tamu.edu

Seenu Anna Kurien
 Graduate Student
 Department of Construction Science
 Texas A&M University
 3137 TAMU
 College Station
 Texas 77843-3137.



Date September 5, 2003

Office of Research Compliance

MEMORANDUM

Administration and
Special Programs

TO: Ms. Seenu Anna Kurien
Dept. of Construction Science
MS 3137

Academy for
Advanced
Telecommunication
and Learning
Technologies

FROM: Dr. E. Murl Bailey, CIP, Advisor
Institutional Review Board
MS 1112

Institute for
Scientific Computation

SUBJECT: IRB Protocol Review

Laboratory Animal
Resources and Research

Title: Business Development Strategies Used by Construction Companies in the United States for
Market Development

Microscopy and
Imaging Center

Protocol Number: 2003-0375

Review Category: Exempt from Full Review

Approval Date: September 5, 2003 to September 4, 2004

Office of
Business Administration

The approval determination was based on the following Code of Federal Regulations
<http://ohrp.osophs.dhhs.gov/humansubjects/guidance/45cfr46.htm>

Office of Graduate Studies

_____ 46.101(b)(1)

_____ 46.101(b)(4)

Office of Sponsored Projects

✓ _____ 46.101(b)(2)

_____ 46.101(b)(5)

Texas A&M University
Research Park

_____ 46.101(b)(3)

_____ 46.101(b)(6)

Remarks:

None



Texas A&M
University

1112 TAMU

18 Administration Building
College Station, Texas

77843-1112

979.845.8585
FAX 979.862.3176

The Institutional Review Board – Human Subjects in Research, Texas A&M University has reviewed and approved the above referenced protocol. Your study has been approved for one year. As the principal investigator of this study, you assume the following responsibilities:

Renewal: Your protocol must be re-approved each year in order to continue the research. You must also complete the proper renewal forms in order to continue the study after the initial approval period.

Adverse events: Any adverse events or reactions must be reported to the IRB immediately.

Amendments: Any changes to the protocol, such as procedures, consent/assent forms, addition of subjects, or study design must be reported to and approved by the IRB.

Informed Consent/Assent: All subjects should be given a copy of the consent document approved by the IRB for use in your study.

Completion: When the study is complete, you must notify the IRB office and complete the required forms.

Revised: May 1, 2000

**Texas A&M University
IRB Application**

TAMU # 2003-
(for IRB use only) 0375

Protocol for Human Subjects in Research

PART I: Summary Cover Sheet **If Requesting Exempt Status Check Here** (See Page 2)
Please check off or provide details on the following (enter N/A if not applicable)

Principal Investigator Name Seenu Anna Kurien Faculty/Staff _____ Graduate Student
Department: Construction Science Mail Stop 3137 Phone (979) 574-9291
Email: neo-seenukurien@neo.tamu.edu Fax: _____
Name of Graduate Committee Chair/Research Advisor if Graduate Student Dr. Charles W. Graham
Department Construction Science Mail Stop 3137 Phone (979) 845-0216
Project Title Business development strategies used by construction companies in the United States for market development

Funding Agency N/A
Objective Estimate of Risk to Subject: None Low Moderate High
Existing Documents N/A Existing Specimens N/A
Gender of subjects: Male Female Both Age(s): 18+ Total Participants (est.): 150

Location of Research**Source of Subjects:**

- Subject Pool(_____)
 Other TAMU Students
 Community
 Prisons
 School Teacher/Administrator
 Other Please specify Marketing professionals

Subject Recruitment:

- Direct Person-to person contact
 Telephone Solicitation (Attach a script)
 Newspaper Ad (Attach a copy)
 Posted Notices (Attach a copy)
 Letter (Attach a copy)
 Other (Please describe) mail survey

Compensation Yes No (Attach payment schedule)
Deception Yes No (Attach debriefing form if yes)

Research/Course Credit Ye: No

Invasive or Sensitive Procedures: Yes No

- Blood Samples Urine Samples
 Physical Measurements Stress Exercise
(electrodes, etc.) Review of Medical/Pysch. Records
 Other (Specify _____) rDNA

Sensitive Subject Matter: Yes No

- Alcohol, Drugs
 Depression/Suicide
 Learning Disability
 Abortion, AIDS/HIV, Sex
 Psychological Inventory
 Other please specify _____

Use of Video or Audio tapes **If yes, answer the following:**

- Retained Yes No
Retained/Length of Time _____
Destroy/Erase Yes No
Other (explain) _____

Use specified in consent form? Yes No

Designate who will use or have access to tapes: _____

Provisions for Confidentiality/Anonymity

- Replies Coded
 Secure Storage
 Anonymous Response **OR**
 Confidential Response
(Cannot be both anonymous & confidential)

Location Where Signed Consent Forms Will be Filed: In a filing cabinet in Dr. Graham's office
(Consent forms must be kept on file for 3 years after the completion of the project). (It is best to keep the forms in a campus office in a locked file cabinet.)

Do you have any relationship with any or all of the subjects, other than your investigator role? Yes No.
If "Yes," you must explain in the source of subjects section and explain how you will avoid any type of coercion.
(Doctor-patient, teacher-student, counselor-student, etc.)

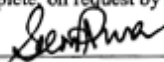
Revised: May 1, 2000

4. SIGNATURE ASSURANCE: (This should be the last page of Part B.)

Principal Investigator/Graduate Student Assurance Statement:

I understand Texas A & M University's policy concerning research involving human subjects and I agree:

1. To accept responsibility for the scientific and ethical conduct of this research study;
2. To obtain prior approval from the Institutional Review Board before amending or altering the research protocol or implementing changes in the approved consent form;
3. To immediately report to the IRB any serious adverse reactions and/or unanticipated effects on subjects which may occur as a result of this study;
4. To complete, on request by the IRB, the Continuation/Final Review Forms.

SIGNATURE:  DATE: 7/28/03

TYPED NAME: SEENU ANNA KURIEN

***Faculty/Research Advisor's Assurance Statement:**

I certify that I have read and agree with this proposal, that the PI has received adequate training to perform this research, and will receive adequate supervision while performing this research.

SIGNATURE:  DATE: 8/5/03

TYPED NAME: Dr. Charles W. Graham

*** If the principal investigator is completing this project to meet the requirements of a Texas A & M University academic program, both the student's faculty/research advisor and the departmental head should sign the Signature Assurance Sheet.**

****Department Head**

This is to certify that I have reviewed this research protocol and agree that the research activity is within the mission of the Department and appropriate for the responsibilities and assigned duties of the principal investigator.

SIGNATURE:  DATE: 8/6/03

TYPED NAME: Dr. James C. Smith

****If the principal investigator is also the Head of the department, the College Dean or equivalent should sign the Signature Assurance Sheet.**

APPENDIX B

Respondents' comments

- “We have a strategy to expand into Waco, Houston, College Station and San Antonio as our clients and markets allow. It is not part of our plan that we have to be in those areas in a certain time frame”.
- “We pursue all of our markets by ourselves. When we go into a new geographic area it is because we have identified a potential project or client that matches our strengths”.
- “We pursue work where we believe we have a competitive and technical advantage which makes it a real opportunity for us. Economics always keeps you looking for new areas to grow which include new markets and geographies”.
- “We believe that our best opportunity for growth is in new geographical markets”.
- “We normally acquire an anchor (large) project and then use that project to establish operations and springboard into new work”.
- “It is always difficult to be the new player in town, but if you are an expert at a particular type of facility that entry is much easier”.
- “I truly believe that a company's customer orientation is a big part of a companies total success. If a construction company is not focused on

the customer and customer satisfaction, then it is truly difficult to be successful”.

- “Typically, our approach is to identify specific sector(s) to direct our efforts with the goal of becoming a dominant and recognized competitor in the chosen sector(s)”.
- “Local contractors are hard to beat”.
- “We don’t have a formal marketing strategy because we have a highly specialized niche”.
- “We do not enter a new geographical market unless an existing client asks us to do a project outside of our typical geographic areas”.
- “All markets have nuances that make them different, usually, from your home market. You have to gain an understanding of the subcontractor market, the regulatory rules and issues of scope idiosyncrasies (ie; does the drywaller do the taping and floating or does the painter)”.
- “We believe the key to successful business development efforts follows the old axiom, "it's not what you know, it is WHO you know". Technical ability is a commodity - understanding the corporate real estate network and knowing who is about to build something, proving your value to that client, landing the project, doing a good job, then using that client as a reference is the way to grow a company”.
- “Each new geographical area must have enough potential work by X volume to sustain itself as a new corporate district”.

- “We have a formal marketing strategy. It is called "relationship selling" and is based on the premise that clients do business with people first and companies second”.
- “We start out by staffing a new job and if the market warrants grow the operation to include other clients over time”.
- “There are always forces. In public work, the key force is to team with local companies. This minimizes the traditional push back by locals not wanting to let in out-of-town firms”.
- “Buy with local company or joint venture with local company to gain advantage of local market knowledge and relationships”.
- “We use "National Account Rep" system to develop contact rapport; follow up with standard, then customize marketing materials; and maintain relationships to be aware of projects on horizon in any area”.
- “By specifically promoting our unique services directly to clients who could use us in order to cultivate a successful project. These targeted clients or markets must adhere to our established business plan”.
- “An example of market forces is how we used our Design/Build capabilities and advanced knowledge of pharmaceutical facilities and manufacturing to provide multiple cost-efficient, quality-controlled, value-driven, technologically-savvy projects for one specific client, with whom we have worked over the last four years. During economically competitive times, this success has allowed us to become their go-to

company in a geographical market where we had not previously done much business”.

- “Contractors must know where their greatest expertise lies, what their profit margin allowable per project can be, which markets are most profitable, and if they have the resources (staff) to commit to each project they pursue, win and execute. Learning what *not* to pursue is as valuable as knowing *what to* pursue. We are always looking for the next *new pond* - new trend and seeing if that is a stable market to pursue.
- “How fast you close the sale depends on how well you started the relationship with the client. Perceptions of your firm are formed in the first 4 seconds of meeting that client, whether it is a brochure selling your services, a person/ staff member or other collateral material. Making a good first impression and establishing a strong relationship with your client will carry you through many projects. A *client* is someone under your care and protection. A *customer* is someone you provide a service to. We want *clients*. We recognize the importance of flexibility in an ever-changing business climate. While we focus on clients and projects in certain industries, we keep an eye on the horizon to add new industries and facilities to our body of work”.
- “As part of the business planning each year, each region develops specific regional marketing plans including target client groups by each

market sector and strategies for contacting and developing relationships within those”.

- “The firm has tried both extending operations and mergers and found that the latter typically is more successful”.
- “Entry into new markets are typically made because of a strategic opportunity to grow the firm from a revenue and profit perspective”.
- “We needed to look elsewhere for work due to a lack of opportunities in existing markets”.
- “Competitive forces affect our market entry. We monitor the number of available projects in an area vs. the number of design-builders”.
- “The economy has driven decisions to pursue additional work in different markets”.
- “Our marketing strategy is incorporated into our yearly business plan. We target specific market sectors and project ahead a few years as to market sectors to pursue based on projected activity”.
- “We travel to new geographical areas based on program or long-term accounts which produce more than one project in the area, or multiple projects with the same client”.
- “Very few phases of a construction project are more important than the Close out of the project and punch list management. A construction project can proceed on schedule with minimal issues and completely fall apart toward the end without strong management direction to swiftly and

efficiently complete the project. Often times, an Owner will judge the overall success of a construction project during the last few weeks of the project's duration. Many factors must be considered to fully understand the dynamics of successfully completing a construction project”.

- “For general contractors who solicit only private work, word of mouth is everything. And general contractors often stake their reputations on their ability to deliver buildings within a certain time frame. Obtaining the Certificate of Occupancy within the allocated time frame is of utmost importance to good general contractors. Bringing quick and complete closure to construction projects is what separates good general contractors from outstanding general contractors. Once the race is won and the Certificate of Occupancy is obtained, many good general contractors think the race is over. The project loses its sense of urgency and importance. This is a fatal mistake. The outstanding general contractor knows that this is when they must work more diligently than ever. Completing work items like touching up walls that were scratched when the furnishings were delivered, producing quality as-built and warranty documents and other similar issues – quickly and efficiently – mean that the owners can stop focusing on the construction process and begin on their core function in their new space. This often translates into realizing profits and moving into new areas faster, thus gaining a competitive advantage over their peers. The best general contractors will

manage their Punch Lists as the work item occurs, leaving only a handful at substantial completion. Quickly and efficiently completing the remaining items is the preferred method to deliver to the owner an excellent facility and a great feeling about the general contractor”.

- “We have a marketing plan now under review. Covers all areas of business development, including advertising, trade shows, prospect tracking, promotions, sponsorships, press releases, etc”.
- “Honesty and concise, open communication with customers is the most reliable measure for success on any project. We focus heavily on team-building, partnering and consensus-based decision making”.
- “We prefer direct operation. When one of our existing customers request that we build in a new geographical market, we typically use the person assigned to that area as our local marketing representative”.

VITA

Seenu Anna Kurien

E-mail: seenu_kurien@hotmail.com

EDUCATION

Texas A&M University	M.S. Construction Management	May 2004	3.875
Mays Business School, Texas A&M University	Certificate in Business	Dec 2003	
University of Kerala	Bachelor of Architecture	Dec 2000	3.9

EXPERIENCE

Lyda Builders, Swinerton Inc.	Intern Project Engineer	Summer 2003
Department of Engineering Technology & Industrial Distribution	Graduate Assistant - Non Teaching (Web designer)	Sept 2002 – Dec 2003
HOMETECH Architects, Engineers & Builders, Trivandrum, Kerala, India	Junior Architect	Mar 2001 - Oct 2001

ACHIEVEMENTS

- First place winner- Annual National Graduate Student Competition organized by ASC, Reno- '03.
- O. N. Mitchell, Jr. Endowed Fellowship in Construction Management - recipient for 2002
- Construction Industry Advisory Council scholarship recipient 2003.
- International Education Scholarship 2003