THE DISCOURSE OF CONSTRUCTION COMPETITIVENESS: MATERIAL CONSEQUENCES AND LOCALISED RESISTANCE

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ABSTRACT

It is contended that competitiveness is better understood as a discourse rather than a characteristic that is supposedly possessed. Construction companies, and national construction sectors, are continuously exhorited to improve their competitiveness. The search for competitive advantage is widely accepted as an essential component of enacted strategy, but there remains little agreement on how it can be achieved in practice. Different discourses are derived from the competitive positioning school, the resource-based view and the theory of dynamic capabilities. The associated terminologies are frequently ambiguous and arguments are too often divorced from context. Key terms are subject to different interpretations within different constituencies. Such co-existence of multiple representations of concepts is a common social phenomenon. Different meanings are articulated and mobilised to serve the interests of different social and institutional constituencies. The discourse of competitiveness derives its legitimacy from the enterprise culture that came to dominance in the Anglo-Saxon world during the 1980s. In the UK construction industry, the discourse of competitiveness has had significant material implications for the structure of the sector. The dominant recipe of competitiveness amongst contracting firms has been the need to achieve structural flexibility to cope with fluctuations in demand. In consequence, the UK industry is characterised by a plethora of hollowed-out firms who have failed to invest in their human capital. While the adopted model may be rational for individual firms, the systemic effect across the sector as a whole equates to a form of anorexia. However, the discourse of competitiveness is by no means monolithic and continues to be contested locally. There have also been numerous counter-discourses that have been mobilised in response to the undesirable externalities of unbridled enterprise. A currently important counter-discourse promotes the ideas of corporate social responsibility.

Keywords: Competitiveness, Competitive Advantage, Context, Discourse, Enterprise Culture.

1. INTRODUCTION

The need for a greater degree of competition was undoubtedly one of the guiding threads of public policy in the UK during the 1980s and 1990s. During this era, governments repeatedly exhorted the benefits of competition as a means of achieving efficiency. The
combination of espoused and enacted policies became known as the enterprise culture, which has had a lasting effect on industry structure and managerial rhetoric. During the 1980s the enterprise culture was reflected and reinforced by Porter’s work on competitive advantage, which addressed how firms should position themselves in the marketplace. An alternative perspective on competitiveness is provided by the resource-based view (RBV) which addresses firms’ internal capabilities. More recently, consideration has been given to the dynamic capabilities that firms require if they are to respond to external changes in the business environment. Each of these theoretical contributions to competitive strategy are reviewed and positioned against the discourse of the enterprise culture. Consideration is given to the material manifestations of the enterprise culture in the UK construction industry. Caution is then drawn to the dangers of conceptualising the enterprise culture as a monolithic discourse in isolation of persuasive counter discourses. Finally, attention is directed towards an alternative research agenda drawing from the ideas of strategy-as-practice.

2. COMPETITIVENESS AND THE ENTERPRISE CULTURE

Prior to reviewing the key theoretical contributions to the field of competitiveness, it is appropriate initially to establish the broader ideological context. The legitimacy of ‘competitiveness’ amongst practising managers is undoubtedly derived from the broader discourse of the enterprise culture, as propagated widely in the UK and USA since the early 1980s. Competitiveness in the global economy became the new mantra of both the Reagan and Thatcher administrations as a means of achieving economic growth after decades of stagflation. Managerial sources on competitiveness both reflected and reinforced this new emphasis on the ‘survival of the fittest’. Individual firms, and entire national economies, had to become competitive in order to survive. The espoused policies sought to extend the domain of the free market throughout the economy in the cause of competition. The shift to the political right denied legitimacy for the continued state support of ‘lame ducks’. National economies and individual firms were obliged to compete in the marketplace. Harsh medicine was advocated to overcome sluggish economies characterised by low productivity, over-manning and lack of investment. Key policy dimensions of the espoused doctrine included privatisation, deregulation and the reduction of trade union power. Taxation levels were reduced in an effort to encourage ‘enterprise’, with a consequent reduction in welfare benefits. The combination of policy initiatives, legislation and rhetoric has been characterised as the ‘enterprise discourse’ (du Gay, 1991; du Gay and Salaman, 1992; Keat and Abercrombie, 1991). In this sense, the enterprise culture includes a complex web of ideas, linguistic expressions, policies, social institutions and material practices. And it has had a significant and lasting impact on the UK economy and society at large. The decimation of the manufacturing sector resulted in urban decay and widespread unemployment. Many firms in traditional heavy industries failed to survive exposure to the harsh winds of competition. In the UK, the discourse of enterprise was subsequently enthusiastically embraced – and even extended - by the Blair government elected in 1997. The end result is an economy oriented towards services rather than manufacturing, with consequent growth in part-time and temporary employment. The accepted euphemism for such trends is the ‘flexible economy’, which is too often
characterised by a widespread reduction of employment protection; too many restrictive regulations are deemed ‘uncompetitive’. The discourse of the enterprise culture has shaped business education and practice to such an extent that it has since become accepted ‘common sense’.

3. COMPETITIVE Advantage

Much of the current managerial discourse of competitiveness is derived from Michael Porter’s work on competitive advantage (Porter, 1980; 1985). Although Porter’s (1979) work initially focused on guiding firms whether or not to enter a particular industry, it is now more commonly used to analyse relative market power as a means of informing strategic action. The approach is often known as ‘five forces analysis’, referring to the forces that affect a company’s ability to serve its customers and make a profit. The five forces are: (i) the bargaining power of customers; (ii) the bargaining power of suppliers; (iii) the threat of new entrants; (iv) the threat of substitute products and (v) the intensity of competitive rivalry. Firms are therefore advised to assess these forces before deciding upon which markets to enter. From this perspective, firms become competitive by analysing market opportunities in terms of the preceding five forces, and choosing the most desirable strategy. Critics argue that Porter’s analysis assumes that the five forces operate independently and that strategic decision makers have access to perfect information (Coyne and Subramaniam, 1996).

Porter (1980) offers a further dimension of his strategic model in the form of his so-called ‘generic strategies’ which he simplifies as cost leadership, differentiation and market segmentation (or focus). Cost leadership strategies are traditionally dominant within the construction sector, largely because firms frequently struggle to differentiate their products. However, larger construction firms frequently develop differential brands oriented towards different demand sectors. Other firms undoubtedly adopt a ‘focus’ strategy by concentrating on particular market niches with a view to providing excellent services to a limited clientele. However, the assumption that such strategies are mutually exclusive has been repeatedly challenged in the literature (Flint, 2000; Klein, 2002). Furthermore, Porter notably offers little advice on how organisational resources are to be aligned in the effective implementation of the adopted strategy (O'Shaughnessy, 1996). Powell (2001) further observes that most empirical studies infer competitive advantage from ex post observation, but then conclude ex ante that creating competitive advantage produces superior performance. In essence, the notion of competitive advantage seems to rest on the tautological observation that the characteristics of competitive advantage or those that make firms successful.

Despite the above difficulties, Porter’s terminology provides much of lexicon of competitiveness and the terms are frequently mobilised by practising managers. This is especially true for those who see themselves involved in setting strategy. The popularity of Porter’s terminology has survived prolonged criticism within the strategic management literature (Connor, 2003; Klein 2002). The notion of ‘competitive advantage’ invariably remains central to any espoused organisational strategy, despite its ambiguity. The
broader community of strategic management researchers have frequently commented on Porter’s perceived lack of precision (Connor, 2003, Klein 2002, O'Shaughnessy 1996). Whilst the discourse of competitive advantage remains attractive, there is little agreement on what it means in operational terms. Flint (2000) is especially dismissive:

“The terminology used in the field of strategic management that might possibly garner the prize for the most overworked and least understood catch-phrase is ‘competitive advantage’. The extension of that phrase into ‘sustainable competitive advantage’ is currently an elaboration of ambiguity”.

It is indeed notable that Porter avoids offering a precise definition of competitive advantage, other than to suggest that “competitive advantage grows fundamentally out of the value a firm is able to create for its buyers that exceeds the firm’s cost of creating it” (Porter, 1985). The fundamental ambiguity of ‘competitive advantage’ means that it can be mobilised to mean different things by different interest groups. According to Connor (2003):

“It is clear that the definition will vary with differing points of view and with the nature of the viewer’s interest in the performance of business”.

Rather than understand ‘competitive advantage’ as something that can be possessed and measured, it is therefore more meaningful to understand it as a discursive resource that is mobilised in the enactment of strategy. The same argument can also be applied to concepts such as the ‘value chain’ and other such terms derived from Porter’s work. Whilst it is easy to acknowledge Porter’s significant contribution to the discourse of strategy, this does not mean that we have to accept his models in terms of their substantive content.

4. THE RESOURCE-BASED VIEW

An alternative discourse of competitiveness to that of Porter is offered by the resource-based view (RBV) of the firm (Barney, 1991; Wernerfelt, 1984). The RBV is again intertwined with the discourse enterprise culture, but the focus of attention lies with the unique internal resources that allegedly make individual firms competitive rather than with market positioning. The basic ideas can be linked back to evolutionary theories of the firm such as those offered by Nelson and Winter (1982) and Penrose (1959). Resources can be tangible or intangible in nature, and are variously seen to include: assets, capabilities, organisational processes, firm attributes, information and knowledge Barney (1991). Kay (1999) also refers to capital, equipment, patents and talented managers. Such resources are seen to be controlled by the firm and provide the basis for identifying and implementing strategies for improved effectiveness. Competitive advantage is seemingly secured when a firm is able to implement a ‘value creating strategy’ that others are not able to replicate due to the lack of necessary resources (Barney, 1991). The RBV therefore focuses on firm-level resources and capabilities.
rather than the industry-level analysis favoured by Porter. However, the RBV has also been criticised for failing to provide prescriptive guidance to managers (Conner, 2002; Priem and Butler, 2001). Strategic resource assets only seemingly become identifiable as such once ‘competitive advantage’ has been secured. Resources that secure competitive advantage are held to be those that enable a firm to improve its efficiency and effectiveness whilst being unavailable to other firms. Furthermore, they must be imperfectly imitable and non-substitutable (Barney, 1991). The difficult lies in that many such attributes can only be recognised after the event. In other words, the resources that need to be deployed to ensure competitive advantage are those that have been important in securing competitive advantage. Hence the criticism that the basic argument at the heart of the RBV is tautological.

5. DYNAMIC CAPABILITIES

An extension of RBV is provided by the idea of dynamic capabilities, which relates to a “firm’s ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments” (Teece et al 1997). Once again, the literature abounds with definitional problems regarding the distinctions between resources, assets, competencies and capabilities. Nevertheless, it is possible to understand dynamic capabilities as ‘second order’ capabilities relating to a firm’s ability to reconfigure its existing substantive capabilities. However, in common with the more static conceptualisation of resources offered by the RBV, dynamic capabilities are too often conceptualised in ways that makes it difficult to separate their existence from their effects (Zahra et al 2006). The core literature also too often confuses the dynamic nature of the environment with the dynamic nature of the capabilities themselves. In common with the RBV, research informed by dynamic capabilities literature again tends only to identify capabilities retrospectively on the basis of observed behaviour (Jarzabkowski, 2005). There is little that provides prescriptive guidance for firms wanting to develop new capabilities in response to changing circumstances.

The idea of dynamic capabilities is perhaps most persuasive when linked to organisational learning. Zollo and Winter (2002) recognise the near tautology of defining capability as ability, and in consequence choose to focus on operating routines as the object upon which dynamic capabilities operate:

“A dynamic capability is a learned and stable pattern of collective activity through which the organization systemically generates and modifies its operating routines in pursuit of improved effectiveness.”

Whilst Zollo and Winter (2002) are themselves light on the rhetoric of competitiveness, their contribution provides a bridge between the static RBV and the more dynamic, less commodified, theories of knowledge management and organisational learning. It is these latter concepts that are frequently mobilised in the cause of ‘achieving competitiveness’. Many such narratives draw from Grant’s (1996) knowledge-based theory of the firm. Nevertheless, those who criticise Porter’s work for its ambiguity and lack of precision are
unlikely to find much comfort within the conflated lexicons of dynamic capabilities, knowledge management and organisational learning.

6. COMPETITIVENESS IN THE CONSTRUCTION CONTEXT

Given that the topic of this paper is competitiveness within construction, it is appropriate to offer an overview of the evolving context within which construction companies operate. Any such description is of necessity limited and incomplete, but the discourse of competitiveness cannot be understood in isolation of context within which it is applied. Of particular importance is the recursive relationship between enacted strategy and context that unfolds over time (Pettigrew, 1997). Related to this is the way in which the discourse of the enterprise culture has been appropriated to shape the modern-day reality of the UK construction industry.

The rhetoric of competitiveness was perhaps first mobilised in the construction industry during the 1970s in response to policy statements by the Labour Party in support of building industry nationalisation. The Conservative Government elected in 1979 enacted supporting policies by opening up local authority Direct Labour Organisations (DLOs) to private sector competition. The period 1980-1995 saw the widespread institutionalised incentivisation of self-employment through the tax and insurance system, with resulting reductions in trade union membership. In consequence, the percentage of self-employed operatives grew from under 30% in 1980 to over 60% in 1995 (Harvey, 2001; ILO, 2001). Such changes were mutually constituted with the discourse of competitiveness. The process of labour market change was supported by a shadowy organisation called the ‘Economic League’, to which most of the major construction companies subscribed. Its prime role was the blacklisting of ‘militant’ trade unionists in the cause of competitiveness (Hollingsworth and Tremayne, 1989). Many individuals found themselves blacklisted for entirely legal involvement in trade union affairs. Such actions were seen to be necessary in the broader cause of ‘competitiveness’.

Construction firms were therefore not only encouraged to adopt strategies based on outsourcing and labour-only subcontracting by rhetorical exhortations; they also received material incentives through the tax and insurance system. For many, the shift towards non-standard forms of employment aligned perfectly with the adopted model of ‘structural flexibility’ as the key means of achieving competitive advantage (Winch, 1998). The need to expand or contract in response to fluctuating demand became central to the competitive strategy of the construction sector. In consequence, contractors progressively withdrew from taking responsibility for direct employment and training, preferring to rest their competitiveness on effective ‘contract trading’. Associated trends include the retreat of most major contractors from any direct involvement in training. This has led to a dramatic decline of the apprentice system and an increasing reliance on migrant workers supplied through agencies. Such trends were exacerbated by the popularity of ‘management’ procurement routes, whereby teams of management consultants responsible only for co-ordination replaced the main contractor. In consequence, the key capabilities of UK contractors arguably became the efficient use of
working capital coupled with the management and co-ordination of sub-contractors. Also of importance is their ability to off-load risk to the supply chain. More recently, the adopted competitive strategy has been legitimised by the discourse of ‘supply chain management’. Of particular note are the isomorphic pressures through which firms in the same sector come to resemble each other (Powell and DiMaggio, 1991). Spender (1989) also refers to ‘industry recipes’ to explain the tendency for firms within the same sector to adopt similar approaches to decision making.

As a caveat to the above, there are always exceptions to the dominant industry recipe. This is especially true for sectors as diverse as construction. Nevertheless the emergence of the ‘hollowed-out’ firm as the exemplar of UK contracting companies has raised concerns about the sector’s absorptive capacity and its ability to innovate (cf. Gann, 2001). It could further be argued that the relentless pursuit of narrowly constituted ‘competitiveness’ by individual firms has led to a free-loading mentality whereby the costs of training and investing in the future are left to others. Thirty years of outsourcing and de-layering have resulted in many contracting firms evolving into exemplars of the ‘lean organisation’. While this may be perfectly rational for each individual unit of analysis, the systemic effect across the sector as a whole equates to a form of anorexia (Green and May, 2003).

7. COUNTER DISCOURSES

Notwithstanding the above, there is a danger of over-emphasising the extent to which the construction industry has been shaped by the discourse of competitiveness. Indeed, du Gay’s characterisation of the ‘enterprise culture’ has been criticised for being overly deterministic as a result of paying too little attention to the disrupting affects of counter discourses (Fournier and Grey, 1999). ‘Enterprise’ is ultimately perhaps too vague a term to constitute the monolithic discourse to which du Gay alludes. There is also a danger in conflating too easily the discourses of competitiveness and enterprise. While they are undoubtedly to some extent mutually constituted, there are also important differences in emphasis. For example, enterprise tends to be positioned as an alternative to bureaucracy, whereas competitiveness tends to be promoted as a desirable product of free markets. Again, there is an obvious tautology in that ‘competitiveness’ is the outcome of making markets more competitive.

Perhaps the most obvious counter discourse mobilised in response to competitiveness has that promoted by the political Left, and in particular the trades unions. This has been especially pronounced in terms of sustained campaigns against bogus self-employment and the exploitation of migrant workers. The Inland Revenue clampdown in 1997 resulted in 185,000-210,000 workers moving back into direct employment (Harvey, 2003). This was in part a direct result of trade union success in mobilising a counter discourse. Health and safety is a further continuing concern to those who work in the construction sector, and as such represents a longstanding counter-balance to the dominant discourse of competitiveness. The ethos of professionalism has also been traditionally strong in the construction sector. In many respects, the professions supposedly numbered amongst the institutionalised ‘vested interests’ against which the enterprise culture was directed.
Whilst the status of the professions may have declined in the construction sector, they have by no means been swept aside. The professional institutions continue to provide resistance to the notion of un-regulated enterprise, and certainly continue to play an important part in shaping the self-identities of their members.

Not withstanding the above, there have been numerous managerial counter-discourses that seek to alleviate the damaging side effects of the industry’s dominant recipe of ‘structural flexibility’. In the construction sector, the Egan Report (1998) arguably marked the highpoint of competitiveness discourse in the UK construction industry. But there have several ebbs and flows both before and since. To suggest that there is one hegemonic discourse that has shaped and patterned the evolution of the construction sector would be to oversimplify the complex processes involved. All discourses are contested and localised arenas are invariably characterised by multiple, competing discourses. Examples are provided by the inter-related narratives of teamwork, partnering and collaborative working. Latham (1994) certainly sought to redress the construction sector’s adversarial competitive recipe of ‘bid low, claim high’. In this respect the Construction Act of 1996 is a material component of a mobilised counter discourse. Egan’s (1998) subsequent focus on narrowly-defined efficiency represented a fight back for the discourse of competitiveness; but even Egan paid lip-service to relational concepts such as partnering and teamwork. The Strategic Forum (2002) subsequently went further in that it embraced trade union concerns about bogus self-employment. Also of significance is the Strategic Forum’s emphasis on the need for ‘integrated teams’ as a supposed antidote to fragmentation. More broadly, it is interesting to observe the increasing interest in corporate social responsibility (CSR) whereby firms are expected to go beyond narrowly defined self-interest in pursuit of social and environmental sustainability. Such arguments undoubtedly run contrary to the uni-dimensional ‘greed is good’ philosophy of the enterprise culture. However, the extent to which this alternative discourse results in lasting material change remains to be seen.

8. TOWARDS AN ALTERNATIVE RESEARCH AGENDA

The re-conceptualisation of competitiveness as a discourse rather than a characteristic of organisations has significant implications for research. It certainly questions the relevance of positivist research methodologies and points towards a wider acceptance of the insights to be gained from discourse analysis. It further questions the assumption that there can ever be a deterministic relationship between theory and practice within the context of competitive strategy. The emphasis on ‘competitiveness’ as a discourse focuses attention on the way in which it is mobilised for the purposes of enacting strategy. The ways in which competing discourses are contested across localised arenas is increasingly emphasised within the emerging field of strategy-as-practice (Hendry, 2000; Jarzabkowski, 2004; Whittington, 2003). The notion of strategy-as-practice provides an alternative research focus which addresses strategy as a ‘situated, socially accomplished activity constructed through the actions and interactions of multiple actors’ (Jarzabkowski, 2005). Of particular note is the way in which strategy-as-practice research seeks to reinstate the actor to centre stage - both Porter’s positioning school and the RBV
downplay the fact that strategy is enacted by individuals. Rather than theorising how
‘competitive advantage’ can be achieved or measured, the focus within strategy-as-
practice lies on the way multiple practitioners shape strategy through their actions and
practices. Competitiveness therefore becomes one discourse amongst many, and cannot
be understood in isolation. Indeed, there is an argument that discourses such as
competitiveness are so broad and multi-faceted they can only be understood in interaction
with others. Of key importance are the pragmatic and transient assimilations between
seemingly competing discourses in localised contexts. Such assimilations frequently have
real material consequences and hence are worthy of research effort. Local enactments are
also patterned and conditioned by broader contextual issues. Indeed, social scientists have
long sought to understand the complex interplay between human action and the context
within which it occurs. The important point is that the context within which strategic
decisions are made must be conceptualised as an active part of any analysis. But context
is not only shaping, it is also shaped by action (Pettigrew, 1997). Issues of consideration
include the relationship between language and action, the way that human agency relates
to structural aspects of society and the way that action is structured in everyday contexts.
Such a research agenda would require a multitude of research skills beyond those
normally mobilised in the cause of construction competitiveness.

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