# Strategic Planning of Procurement in Design and Construction Firms

## Introduction

Macomber (2009, p.11) states ‘‘the strategic planning of procurement in design and construction firms is a widely emerging style of management in both up-coming and stable firms all over the world, because of the study results that indicate increased production at reduced or static costs, with a consequent increase in capital base’’. Saldini (2009) indicates that the senior managers of highly competitive design and construction firms began to embrace the integration of strategic planning with their operations, because of the easy identification of major barriers to business success, thus the provision of both excellent procurement and delivery, thus satisfying the customers’ needs and creating loyalty.

Macomber (2009, p.11) states that ‘‘the design and construction firms’ managers are increasing realizing the operational risk firms might face in the production process, which strategic planning bails out through assisting on the deciding of the best strategy to apply and embracing information communication technology to improve the firm’s performance’’. Saldini (2009) argues that the strategic planning assists dying firms due to project delay, miscalculated production costs to raise again, thus a mandatory management decision for firms that still want to thrive.

## The structure of industry’s value system

Macomber (2009, p.11) states ‘‘the effective strategic planning of a company or organization entails segmentation of the market, planning procedure, attractiveness, generic strategies, and the value chain of the company’’. Moriyama (2006) indicates that the East Japan Railway Company involves both the contractor and the owner in designing a contract, which lead to their gain in long term competitive advantage. Moriyama (2006, p.7) states ‘‘the East Japan Railway Company combine the five basic factor to gain competitive advantage, which substitutes, new market entrants, competition among market strongholds, and the bargaining powers of both the buyer and the supplier’’.

Macomber (2009, p.11) ‘‘the AEC/EPC strategic value system involve the contractor, engineers, basic human resource, materials, clearance, project sponsor, project financing, the distributors, project consultants, permanent finance, project designers, operator, and user of the completed project, which ensures effective planning of procurement’’. Roberts (2007) indicates that the Bateman Engineering Company reported a hike in their returns to over U.S$200 million due to new strategic planning of procurements with the Hindustan Zinc Company in India and the Richard Bay Company’’.

Macomber (2009, p.13) states ‘‘there are five factors that show the profitability of market segmentation according to the M. Porter’s model, which include the market substitutes, market competition, both buyer and suppliers’ power of bargain, hurdles to both market entry and exit, hence assisting the identification of profiting market segmentation’’. Caps research (2009, pp.1-4) indicates that related literature on the Petroleum Industry shows that over ten industries, which volunteered for their data such as the Chevron Corporation, ExxonMobil Global Service Company, Sasol Limited, Tesoro Corporation, Hess Corporation, Pepsol YPF among others, achieved their off shoring supply management by over 80 percent. Caps research (2009) indicates that some of the objectives achieved include but not limited to reduced costs, accessibility to special skilled labor, increased efficiency in industry’s processes, and internal reduction in costs among others.

**The risks and rewards in the industry’s value system**

Macomber (2009, p.5) states ‘‘there are about eight strategic planning of procurement for design and construction companies such as company’s internal scan, budget, measurements, and company’s mission statement’’. Macomber (2009) indicates that more planning strategies include company’s external scrutiny, strategic analysis for validation, action, revision and improvement on the planning strategies that do not benefit the company. Caps research (2009) indicates that related study shows that most companies in both North and Latin America, such as the California Steel Industry, U.S. Steel, Rio Tinto, Martin Marrietta Aggregates among others involve in the supply management of their human resource, thus spending over 40 percent on the employees as a percent to total revenue.

Macomber (2009, p.7) states ‘‘the key strategic planning of procurement concepts for design and construction companies include revisiting the company’s mission statement, reviewing the current planning strategies, revisiting the company’s core themes, drawing of the company’s value system, tracing the projects among others’’. Bateman (2008) indicates that Bateman Engineering Company’s newly procured global service center in Pune, India is for taking advantage of the special and cheap technical human resource, and the low costs on the equipment and materials in both China and India.

Saldini (2009, p.4) states ‘‘the effective strategic planning must involve the identification of project schedule hurdles, using the experience for validity of the timeline, integrate the projects, and notify the concerned people of the projected risks during the project’’. Saldini (2009) indicates that the company behind London’s bid to host the 2012 Olympics and Paralympics games is the Mace Group with their provision of effective strategic planning that will ensure in-time delivery of games. The Mace Group covered procurement services, construction among other services, and there is a positive progress in project modeling, development of infrastructure, construction services at the selected Olympic arena in London (Saldini, 2009, p.5).

**The analysis of market segmentation**

Macomber (2009, p.2) states ‘‘the construction industry has features that include project basis of operation, low entry difficulties with high hurdles to exit, high rate of integration, production of unique commodities’’. Macomber (2009) argues that the construction industry still suffer from conservative perception of people such little advantages to large scale production, market fragmentation, high market uncertainties with low profit margins. Elloumi (2004, p.1) states ‘‘the online education failed to thrive in some institutions of higher learning such as New

York University, University of Maryland University College, and Temple University due to high operation costs, rivalry and poor designing and planning strategies''.

Macomber (2009, p.3) states ''the design and construction of real estate involve factors such as market fragmentations, low hurdles to entry, little advantages to large scale production, deals in one project at a time, difficulty in formulating and implementing emerging technological sharing with other organizations''. Roberts (2006, p.1) states ''the Bateman Engineering Company's strategic planning of procurement in the India's mining field in the expansion of Zinc plant in Kajasthan is great breakthrough for the company in emerging markets like India''. Roberts (2006, p.1) pronounce ''the Bateman Engineering Company also secured deals in Russia and China, which will boost their competitive advantage in the market according to the company's chief executive office, Dr. Sivi Gounden''.

Macomber (2009) argues that the competitive advantage of both design and construction companies reflects the company's value, which include quality products coupled with lowest competitive market price, superiority and uniqueness in the company's products as opposed to the existing rivals. Pennington, *et al,* (2007, p.3) pronounce ''the procurement planning strategies are very complex to even the state or government to make an effective formulation and implementation, for example, the building of design strategies might be very difficult when it entails the communication of all requirements from different human resource capabilities''. Pennington, *et al,* (2007) argues that the condition in which the buyer fails to integrate all requirements results into a company's loss of competitive ground, thus low returns.

Macomber (2009, p.3) postures ''market segmentation involves identifying the most rewarding structure in the long run, which will assist the company or an organization on better competition depending on the availability of resources''. Macomber (2009) argues that in addition to that companies may formulate and implement efficient and appropriate planning for procurement strategies that will dictate their future performance in the competitive market. Roberts (2007, p.1) states ''the Bateman Engineering Company's chief financial officer believes on the acquisition strategies to get to their financial goal of below five years through the target of moderate companies that are profiting''.

Macomber (2009) argues that the company's strategic manager should realize that different market segments provides both advantages and disadvantages, therefore a need to identify the most attractive segment that will position the company on better competitive advantage in the end. Macomber (2009, p.3) pronounces ''the market segment's attractiveness depends on the company's size, rate of growth, current state of the company, and the level of competitiveness''. Maack Polypropylene (2001) indicates that the effective business segmentation will increase the company's revenues especially on the integration of electronic business across the value chain, for instance the suppliers, customers, thus optimizing production, demand and supply of a company.

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