Mergers in Construction Project Management

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Abstract

This paper aims at answering the strategic question, “In which way Mergers affects the effective delivery of construction project management”.

The current research was based on the process of the questionnaires and semi-structured interviews and was applied in Greek construction companies engaged in international projects. The findings and the data analysis are presented here-below. Having discussed the findings of this research, suggestion for improvement was given. The limitations of the research were also acknowledged as well as recommendations for further research.

Keywords: project management, merger.

1. Introduction

The objective of this paper is to present a topic on international project management and the effect of mergers. The research objective is to attempt to identify the way in which mergers affects the effective delivery of construction project.

Brown and Kaka (2003) states that the construction industry is under achieving and has a poor rate of performance while investing little in research and development. The present is important initially for the company understudy, itself, as well as other companies operating in the same industry, in order to increase peoples' effectiveness and improve performance. Secondly, the research is important for the academic community and for practitioners who may use the results of this research.

The most important research question that will be determined during the current study is:

- How mergers contribute to achieve the effective delivery of projects?

The first chapter contains the introductory stage to the research. The second chapter includes the literature review. The purpose is to define the problem and the background of the study. This will include a bibliographical research, through books and up to date journals. In this chapter definitions related to training and project management will be included as well as the relevant theories. The third chapter includes the research design...
and methodology which will describe the steps that will be undertaken in order to address the research questions, the research approach, and the research techniques.

The fourth chapter includes data analysis and findings resulting from the research expressed through tables, diagrams and descriptions. The last chapter includes the conclusions and recommendations and it will provide suggestion for further study in the future.

2. Literature review

In the new economic environment that has emerged as an impact of the recent ‘crisis’, the complexity of each industry forms a demanding context that affects consistently both the internal and external environment of organizations. As a result, the firms need to maintain their competitive advantage. However, a firm has to constantly increase the value of their products offered to clients in order to sustain their competitive advantage as well as being profitable in order to exist (Egan, 1998).

Project management

According to Kougoulos (2009), the factors affecting construction productivity, categorized into two main groups: technological and administrative factors. Moreover, stated that the construction productivity affected by labor characteristics factors, project work condition factors and non-productive activities. In addition, factors affecting construction productivity cannot be constant and vary from country to country and from project to project. In conclusion, factors’ categorization in external and internal factors is affecting construction productivity (Enshassi, 2007).

Mergers and Acquisitions

A merger occurs when two firms combine their operations, the result being that only one firm exists (Sharpe W., Alexander G., Bailey J., 1999) and can be distinguished as Horizontal, Vertical and Conglomerate (Stacey, 1966).

- **Horizontal merger** occurs between companies of same kind (Lambkin et al., 2008).
- **Vertical merger** involves companies at different stages of production (Brealey et al 2006).
- **Conglomerate merger** involves companies at different stages in unrelated lines of business (Brealey et al. 2006)

Gilman and Chan (1990) adds Circular and involves companies in non-similar product, but utilizing in the same distribution channels.
Motives for M&As – Pros and Cons’ aspects

Companies adopt Merger strategies in order to:

- increase their value added and towards quick growth (Vũ, Shi and Hanby, 2009),
- take advantage of the developed economies of scale and scope ad as a part of diversifying their activities (Papadakis, 2007),
- overcome the new created challenges and retail very competitive advantage (Nellis and Figueira, 2009)

3. Methodology

This study is an exploratory, qualitative research project. An interpretative approach will be assumed “combining the facts creatively in order to stimulate explanatory suggestions to the issue” (Remednyi, Williams, Money and Swartz, 1998). This approach seems particularly appropriate to the topic of the research since according to Fisher (2000) an interpretative approach can be used in order to determine the link between understanding and action, which is seen as indirect, mediated through people’s thinking, values and relationships with each other”.

Semi-structured interviews, is the technique used for the present research. A small number of actors are chosen because the “bases of organizational processes can often be understood in terms of small group dynamics” (Kamsaris and Kougkoulos, 2011) which are analogous to interactions among larger components such as departments (Kamsaris and Trochana, 2011).

The participants basically were from lower position levels up to the level of senior managers. This tactic was followed in order to avoid a biased sample, because a senior manager might be probably more favorable than a lower level employee within the construction company (Bryman et al., 2007). Moreover, at this point it should be clarified that in the case of survey the sample could have been considered biased only in cases where:

- The respondents where only in higher position levels; for that reason in this paper the respondents were from lower levels positions up to higher levels positions (mentioned above);

- The total sample is composed only of employees who participated in the merger (which means that the author could not have the option to gather different aspects from employees that did not involved in the merger, hence the picture would not have been integrated); for that reason in this paper the sample was not composed from participants in the merger but from non-participants too.
The survey was done chronically either during or at least within two years after the merger; because, at this time respondents could have showed biased responses (enthusiasm, fear etc). This is specified from Konstantopoulos et al. (2009) in their article which speaks about the power and role of human factor in an M&A. They support that employees usually feel fear of imminent changes, stress, insecurity and loss of morale which they are significant factors and in such a case the survey could have been rendered biased. Hence, for that last reason the survey took place 5 years after the merger (to gain more integrated aspect).

The participants that took place in the survey were from many sectors of the consolidated company.

Likert scaling approach was applied in order to measure the answers. The scaling code of the answers is as follows:

1. Definitely Yes
2. Possibly Yes
3. Neutral
4. Possibly No
5. Definitely No

4. Discussion

Even though the precision and reliability of such sample might be statistically questioned, affecting the whole study as well, we consider the collected data significantly enough for further analysis by taking into consideration the quality of the sample. The characteristics of the population of the sample prove that the data obtained from the respondents will be extremely helpful when the research questions will be answered.

Almost all employees (97 %) believe that their company provides the necessary training team building mentality, so, to become interactive. So, they know that the team building is very essential for the operations of the organization abroad.

When employees asked what external environment is for them, 32% answer that it is clients, 16% state that it is society, 34% state that it is competition and 18% state that it is all these together.

Furthermore, 82% of employees state that external environment affects their work while on the other hand 18% state that external environment does not affect their work.
42% of employees state that external environment makes difficult their work, 22% state that it is confusing, 4% state that it helps, while 32% answered all above depending on the circumstances.

48% of the employees state that changes in the company that come from external environment lead to the hiring or firing of employees, 8% state that is stop the company’s existence, while 44% state that is changes turnover, while none of employees state that changing the company’s subject come from the external environment.

Over half (58%) of the employees state that these changes make their work difficult, 14% state that it confuse it, 4% state that it helps it, while 24% state that is all above, depending on the circumstances.

In addition, the 38% of employees believe that in order to avoid letting changes affect them, they should take them into account, 4% believe that they should ignore them, 56% believe that they should try to understand them, and 2% believe that change should be effectively managed.

The most effective way for coping with changes as 30% of employees believe is to manage people, 18% believes for coping with changes an effective way is by obtaining knowledge, 8% believe that action-learning is the most effective as well as an equal effective way is by education programmes, while 36% believes that all these together are important in order to cope with changes.

24% of employees believe that a right collaboration is to achieve common goals with others, 18% believe that it is to resolve problems, 6% believe that is to increase the efficiency of people, while a large percentage about 52% believe that achieving common goals with others, resolving problems and increasing the efficiency of people are equal in a right collaboration.

98.2% of the respondents believed that this merger consisted something beneficial and only 1.8% held a neutral position.

94% of the participants believe that the merger was beneficial for the merged and the rest 4% of the sample held a neutral position about the theme and only 2% believes that the merger was maybe not so beneficial for the merged company.

As for the rest, a more deep/ detailed aspect that arise from this survey shows us that this merger affected positive the merged company in certain sectors. To be more precise, firstly in its name and recognition, and in strengthening its market share and position within the market. The other sector includes a lot of different aspects/ answers that came from the participants whether in their answer email or phone call and in some cases in the face–to–face interviews. Such answers were given:
Technology: improved programs, hardware, etc,

Human Resource:
  - creation of one more major player in the market functioned like a “magnet” of highly skilled employees and
  - creation of new job positions and a sense of euphoria in Greek market,

In more details, the below table includes all the information that emerged from the survey. It should be mentioned that this question gave the respondents the opportunity to choose more than one answer but on the condition to rank their answers and put them in importance order starting from the most important to the least important. However beyond the fact that the answers were confirmed by the results/ findings; the emplacement of the most important to least important came from the prevailing attitudes – it is reasonable not have been put in the same sequence from all respondents; that is the reason why their placement based on the prevailing sequence.

The answers that were given couldn’t left us space to create categories or sectors but it should be mentioned some of their sovereign answers. Such answers that were given concerning the negative effect of this merger were:

- HR: abolishment of specific positions or replacement by specific persons and in consequence remove of some employees
- Confusion in the merger of the programs
- Operational departments concerning centralized divisions and operational and back office teams.
- Diversified criteria regarding projects.

In all cases the notion of the problem that concluded for the negative aspect of this merger has to do with the customer services that provided in the early years of this merger, the HR themes that created again in the early years employment confusion and technological and operational malfunctions.

There are non-significant differences, concerning the effectiveness of their projects. Confusion and misunderstanding results during the cooperation among different sub-teams of the same project, as each has a different approach built as a part of their cohesion (Bovee and Thill, 1992). The development of sub-teams, allows diluting effects to appear in the project team that may cause the effective delivery of the project. The difference prioritization issue is important (Macdonald, 1995) so, developing one project team is important. There are non-significant differences (35% versus 37%) concerning the cases that team cohesion results to conflict resolution whereas, low cohesion results to conflict.

There are three groups of success factors recognized as a majority. Therefore, factors related to project management (38%), project characteristics (21%) and human aspect (20%) dominate in residential projects in Greece.
5. Conclusion

Project managers’ knowledge and experience is the most valuable variable. However, one of the possible reasons that this happens might be the fact that most of the respondents occupy managerial positions in their companies and grading factors connected to project management are considered as a self-assessment and therefore the responses might have been overrated. Adding to this, the qualification and the teamwork of the project team, personnel’s competence, authority and leadership are also highly ranked, probably for the same reasons. Apart from these conclusions the actual importance of managerial experience could not be disregarded. Moreover, it is interesting that factors related to clients’ attributes and relations remain to the bottom of the list of factors’ significance towards success. The distance between project managers’ attributes and sponsors relations, show that human factors addressed to project managers and their teams rather are more important than the ones of suppliers, clients and users.

Moreover the significance of classification of success factors into groups, was extensively investigated but from the perspective of project success. Data analysis indicated the classification of the success factors into two main groups as following:

**Primary project success area** (higher significance for project success)

- project management,
- human factors
- project characteristics

**Supporting project success area** (lower significance for project success)

- procurement
- environment
- project organization

The majority of factors leading project to a successful outcome are characterized as “important”. Project managers’ knowledge and experience is the most valuable variable. Factors related to human characteristics were highly ranked mostly due to a large number of factors involving in it. Furthermore of major importance is also the project clarified scope, followed by the project’s type and size. It must be remarkable that no one of the factors included in the environmental group are characterized as “non-important”.

National cultures influence employees’ behavior and the HRM practices. There are many differences in the way organizations around the globe make decisions, allocate resources, manage and motivate employees, and train and develop employees. There is evidence that the USA and Western Europe have been given more attention
(Triandis, 1994) by researchers. Thus, while organizations increasingly operate in a
global work environment, their management practices are still primarily Western.

While progress has been made in the field of HRM, this paper illustrates that much
remains to be done to make culture a global discipline. In this spirit the paper offers
unexplored questions and presents a new framework and approaches to make HRM
practices more inclusive of cultures around the globe. It is hoped that this paper will
stimulate new dialogues and new debates making cross-cultural issues more of the
norm, and less of the exception in the field of HRM. There is also the need for further
research on the moderating influence of culture on relationships between HRM
practices, motivation and organizational performance.

Rashid (2010) found in his recent study that financial uncertainty has a significantly
negative impact on firms’ investments; which consequently means no firms’ evolution –
especially in small ones. He added also, that financial uncertainty is being measured
from Treasury bills rates and if we can see during last 3 years of Greek’s recession it
means a high rate of uncertainty (Rashid A., 2010).

Construction companies in Greece operate in a very dynamic environment and they
face the worst financial crisis that ever met (especially, after the World War II). Hence, it
would have been an extraordinary difficult job for a small or a medium Construction
companies to survive within turbulent financial situation without to be merged or in worst
scenarios (worst for employees) to be acquired with very unfair rules.

A potential future recommendation could be to explore the way and the depth that crisis
affects Greek Construction companies.

Finally, in this last point it should be quoted the author’s critical aspect about the overall
conclusion after the gathering of data and the analyzed results of all the above.

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