

## SWOT ANALYSIS OF THE LARGE UAE CONSTRUCTION FIRMS

Irshad Ahmad<sup>1</sup>, King Fahd University of Petroleum & Minerals, Dhahran, Saudi Arabia

Shakeel Ahmad, Emirates Telecommunication Corporation (Etisalat), Dubai, UAE

Mohammed Shahabuddin, Saudi Arabian Basic Industries Corp. (SABIC), Saudi Arabia

### ABSTRACT

*This paper investigates the competitive advantages and disadvantages of the large UAE construction firms. In the course of an extensive literature review, twenty-three internal factors are identified that assisted in the preparation of questionnaire surveys. The aim of the questionnaire survey instrument was to examine the areas of strengths and weaknesses of the large UAE construction firms. The contemporary strengths, weaknesses, opportunities, and threats (SWOT) summary is prepared that assisted in further proposing the SWOT strategies on how and where improvements must be focused and the attention must be paid to continue to endure and flourish in the hyper-competitive environment of today.*

**Keywords:** Construction firms, UAE, SWOT.

### 1. INTRODUCTION

At the time of joining the WTO, the Government of UAE made specific commitments only in six services sectors out of twelve major services sectors under the GATS. However, the Government of UAE has been sustaining the progressive liberalization and reforms in the national market (BMI, 2003). The relevant sectors wherein the UAE made specific

---

<sup>1</sup> Irshad Ahmad KFUPM PO Box-726, Dhahran-31261, Saudi Arabia.  
Mobile: +966-500249915, Tel: +966-3-860-8000 (Ext-9903247), Fax: +966-3-860-4453.  
E-mail: airshad@kfupm.edu.sa, irshadatoz@yahoo.co.in.

commitments include architectural services, engineering services, urban planning, and landscaping services (Tohamy, 2000).

The organization of the paper is in such a fashion that Section-2 begins by unfolding the step-by-step methodology used in this study. The third Section reviews the earlier work from literature to develop a questionnaire survey instrument. The analysis of survey results and the ensuing strategies are recapitulated in Section-4. A few important limitations of this study are pointed in Section-5. Finally, the sixth Section typifies a few important concluding remarks.

## **2. RESEARCH METHODOLOGY**

To begin with, the background of SWOT analysis was reviewed from the library research. Besides, the factors of strategic importance pertaining to the construction business were and assembled into a questionnaire survey that was distributed to a hundred UAE professionals involved in UAE construction industry in the month of March, 2004. Of a hundred questionnaire surveys distributed, sixty (response rate = 60%) responses were obtained. The questionnaire required mandatory responses to each factor. For example what was the current status of large UAE construction firms? The respondents were provided with three response choices: weakness, neutral, and strength.

Respondents participated in this study comprised of Strategic Planners, Chief Executive Officers, Chief Engineers, Accountant Generals, Professors, Sr. Resident Engineers, Sr. Project/Construction Managers, Sr. Planning Engineers, Sr. Quantity Surveyors, and Sr. Technical Managers having a far-reaching professional experience in their respective fields.

The responses were statistically analyzed to rank the internal factors. Finally, the SWOT strategies are proposed to overcome the major areas of internal weaknesses and to exploit the contemporary internal strengths. Personal interviews of industry experts and brainstorming of the issues were utilized in order to propose the most generic strategies.

### **3. LITERATURE REVIEW**

#### **3.1. SWOT Analysis**

Basically, the SWOT is an acronym for the strengths, weaknesses, opportunities, and threats for a firm. The strengths and weaknesses are the resource advantage and the inadequacy or paucity respectively in one or more resources relative to competitors. The opportunities and threats are respectively complimentary and adverse or impeding circumstances in the firm's external environment. The SWOT analysis is considered as a structured approach that helps strategists to systematically analyze the issues that may affect the fulfillment of their vision, mission, goals, and objectives. In other words, the SWOT analysis is a convenient and concise way of evaluation of past, present, and future data to identify internal strengths and weaknesses and external threats and opportunities (Pearce II and Robinson Jr., 2000, Rabin et al., 2000, Macmillan and Tampoe, 2000).

#### **3.2. Internal Factors: Strengths & Weaknesses**

The twenty-three internal factors of strategic importance and the bases for assessment of the construction firms are retrieved from an extensive literature review (Betts and Ofori, 1992, Dikmen and Birgonul, 2003, Dulaimi and Tan, 2001, Warszawski, 1994, 1996).

### **3.3. External Factors: Opportunities & Threats**

The GATS Framework of liberalization is a double-edged sword for all the services sectors in general and for construction sector in particular. The UAE construction sector is not an exception. Besides, the agreed grace period in this regard is going to expire in the year 2005 (Tohamy, 2000). Thereafter, the government of UAE will be under pressure to endow the overseas construction firms with additional liberalization in terms of non-discriminatory market access and national treatment to all of the 147-WTO Members. While the UAE construction firms will benefit from a number of obvious GATS opportunities such as, opening of new international markets, transfer of technical expertise, Most-Favored Nation (MFN) and national treatment by WTO Member countries, they will also be braced with a few threats such as entry of low-cost foreign competitors, MFN and national treatment for foreign firms in the UAE market, and so on (Ahmad, 2004).

### **4. ANALYSIS AND ENSUING SWOT STRATEGIES**

While the results of statistical analysis in terms of frequency distribution for each of the responses can be seen in Table 1. The interpretations from the various frequency distributions of the responses have also been made and presented in the last column of Table 1. Besides, the key results of this study are quite evident from such strengths, weaknesses, opportunities, and threats (SWOT) summary as presented in Figure-1.

Establishing effective strategies to minimize the internal weaknesses and maximize the internal strengths would be a key for UAE construction firms to survive and compete in the WTO's more dynamic market environment. The following generic strategies are proposed:

## **4.1. Contemporary Weaknesses**

The existing weaknesses of the large UAE construction firms are quite evident from the survey' results as illustrated in Figure 1.

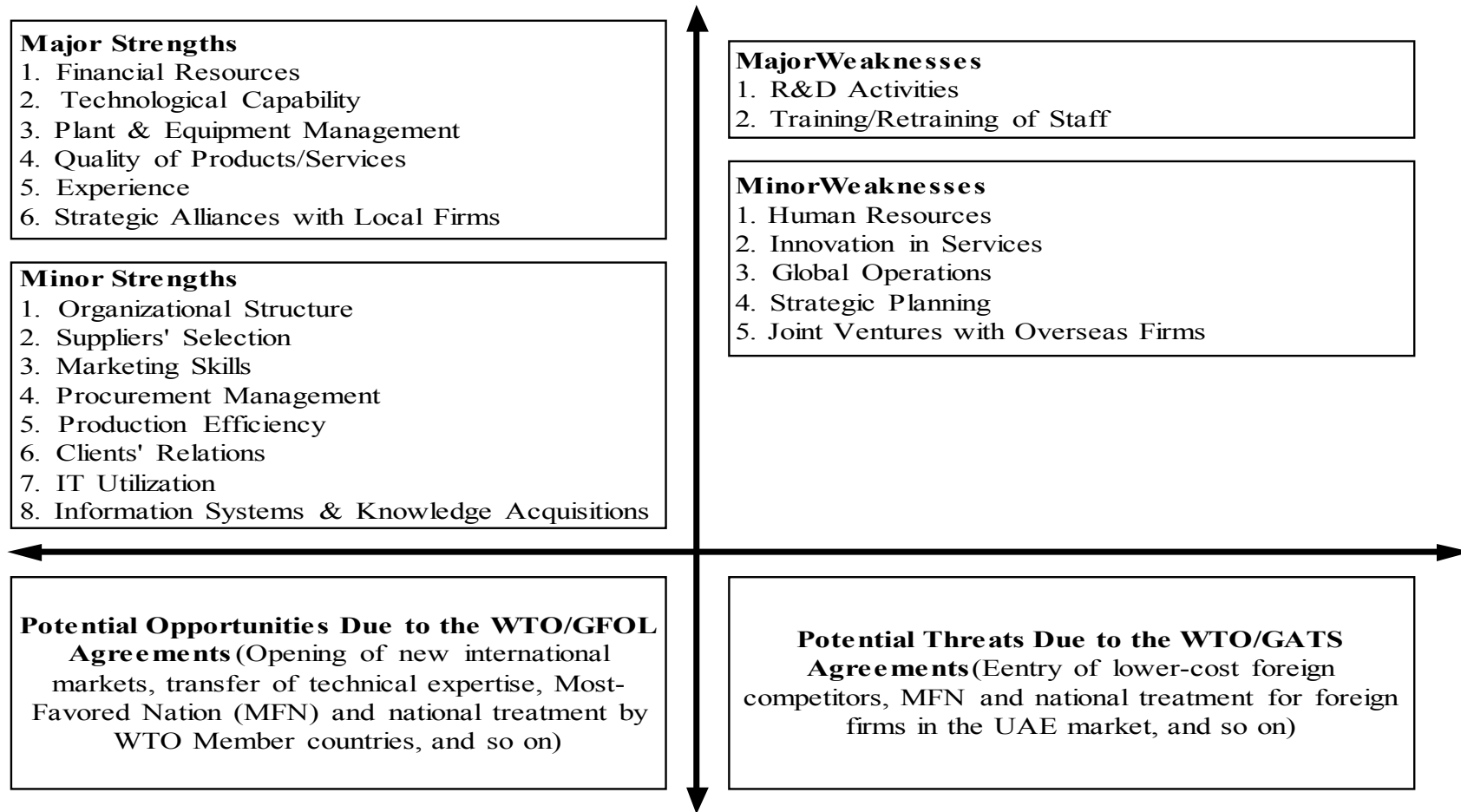
### **4.1.1. R&D Activities**

Research and Development (R&D) is the lifeblood for construction business in general and the large UAE construction firms in particular. Following strategies are proposed in order to enhance the current status of R&D:

- Establish an effective planning and communication system to improve information exchange and international expertise transfer through joint ventures for economic benefits in R&D activities.
- Focus on key areas such as emerging technologies, optimization of various construction resources, and technology integration with innovative construction methods to optimize the performance and savings.
- Increasingly dedicate important resources for R&D in search of sustainable competitive advantages not only in the domestic market, but also in the global marketplace.
- Develop specialized technologies, products/services, and processes to serve the prospective clients both in the domestic market and globally in a better way.
- Include a long-term plan and emphasis on assessing the consequences of global change in the progressively liberalized environment as a part of R&D activities.
- Develop better co-ordination among the various construction-related R&D organizations, universities, research centers, related ministries, and the other

**Table 1: Frequency Distribution of Responses and Interpretations of each Internal Factor**  
 (Note: N = 60, More than 60% → Major strength/weakness, 30 to 59% → Minor strength/weakness)

Sl. No.	Internal Factors of UAE Construction Firms	Weakness	Neutral	Strength	Interpretations
1	Financial Resources	11 (18.3%)	8 (13.3%)	41 (68.3%)	Major Strength
2	Technological Capability	16 (26.7%)	4 (6.7%)	40 (66%)	Major Strength
3	Managerial Capabilities	20 (33.3%)	14 (23%)	26 (43.4%)	Neither strength nor weakness
4	Organizational Structure	20 (33.3%)	19 (31.7%)	21 (35%)	Minor Strength
5	Plant & Equipment Management	10 (16.7%)	12 (20%)	38 (63.3%)	Major Strength
6	Suppliers' Selection	13 (21.6%)	17 (28.3%)	30 (53%)	Minor Strength
7	Quality of Products/Services	9 (15%)	13 (21.7%)	38 (63.3%)	Major Strength
8	Human Resources	28 (46.7%)	10 (16.7%)	22 (36.7%)	Minor Weakness
9	Marketing Skills	14 (23.3%)	22 (36.7%)	24 (40%)	Minor Strength
10	Innovation in Services	24 (36.7%)	11 (18.3%)	27 (44.7%)	Minor Weakness
11	Global Operations	28 (46.7%)	18 (30%)	14 (23.3%)	Minor Weakness
12	R&D Activities	37 (63.3%)	11 (18.3%)	11 (18.4%)	Major Weakness
13	Market Shares	18 (30%)	23 (38.3%)	19 (31.7%)	Neither strength nor weakness
14	Procurement Management	14 (23.3%)	14 (23%)	32 (53.4%)	Minor Strength
15	Production Efficiency	16 (26.7%)	14 (23%)	30 (49.7%)	Minor Strength
16	Strategic Planning	26 (39.4%)	15 (25%)	19 (31.7%)	Minor Weakness
17	Training/Retraining of Staff	37 (61.7%)	8 (13.3%)	15 (25%)	Major Weakness
18	Clients' Relations	10 (16.7%)	16 (26.7%)	34 (56.7%)	Minor Strength
19	Experience	8 (13.4%)	10 (16.7%)	42 (69%)	Major Strength
20	Strategic Alliances with Local Firms	16 (26.7%)	4 (6.7%)	40 (66%)	Major Strength
21	Joint Ventures with Overseas Firms	24 (40%)	17 (28.35)	19 (31.7%)	Minor Weakness
22	IT Utilization	13 (21.7%)	15 (25%)	32 (54.4%)	Minor Strength
23	Information Systems & Knowledge Acquisitions	20 (33.3%)	16 (26.7%)	24 (40%)	Minor Strength



**Figure-1: The SWOT Summary for Large UAE Construction Firms.**

- Consider having own research facilities to concentrate on the areas of strategic concerns to the individual firm.
- Develop a business intelligence and knowledge management portal tailored to R&D divisions, and dedicated to the construction industry, which will enable the R&D staff to quickly find the required information and to save their effort hours.

#### **4.1.2. Training/Retraining**

Training of employees is crucial to the successful implementation of high quality standards. Trained and motivated staffs, who understand the specifics of the firm's business operations, are sustainable competitive advantage on endowing the firm's business with the competitive edge. The following strategies are proposed:

- More investment on education and training activities is a key to success. Failure to take concrete and immediate measures in this regard may translate into failure of local construction firms.
- Training of existing employees must be a key priority for all involved. Consequences of inaction will lead to firms' ineffective operations, inefficient use of scarce resources, and higher future costs to meet future needs.
- Emphasize on the relevant software-training to prevent the business from suffering skill shortages in IT which is tending to be a key parameter in building sustainable competitive advantage in the new global business environment.
- Utilize online training to gain economically and enhance the effectiveness. Some of the vendors of online training and educational materials are [www.digitalthink.com](http://www.digitalthink.com), [www.click2learn.com](http://www.click2learn.com), [www.zdnet.com](http://www.zdnet.com), and so on. In UAE, pioneering efforts



have been undertaken by [www.learnonline.com](http://www.learnonline.com) (by Etisalat), [www.etqm.ae](http://www.etqm.ae), and the Knowledge Village ([www.kv.ae](http://www.kv.ae)) that needs to be supported and strengthened.

- Focus on advanced implementation of training and skills development programmes and on integrating them into the firm's future business plans aligned with WTO training legislation.
- Continuously train everyone to ensure he/she understands his/her existing and future tasks and has the necessary skills to carry them out and come up with innovative changes for more effective and better results.
- Training/retraining and certification of the construction managers and other employees in UAE need to be attuned with the GATS requirements and global environment.

#### **4.1.3. Human Resources**

Since the business of construction services principally depends on human resources rather than sophisticated technologies as in the manufacturing businesses, human resources would significantly affect the competitive advantage particularly in construction businesses. Therefore, meeting the firm's strategic plan requires positioning human resources activities at the strategic level. UAE construction firms are lagging behind their potential competitors in terms of their human resources that need to be addressed as primacy. The following relevant strategies are proposed: Make human resource management a strategic function by changing human resource focus solely from filling vacant positions to strategically addressing workforce needs. It must also be ensured that the firm has the qualified and experienced people so as to accomplish its mission.

- Effectively retain the talented employees through motivation and enrichment.
- There is a need for an apt recruitment of right quality and adequate number of people and retaining them to carry out the work, to support in anticipating the paucity or redundancy of people in the workplace, to ensure the availability of an optimal mix of people.
- Develop a proper job description and acquire related competencies (such as effective communications, initiatives, problem solving, job knowledge, creativity, analytical ability, team work spirit, and so on).
- Revise the rules and conventions concerning the age limitations, guidelines for sponsorship of employees' dependents and re-evaluation of the salary structure so that these are based on qualification, experience and performance rather than on unrelated factors like nationality. This is also one of the requirements of the WTO's non-discriminations principle.
- Increase awareness among employees about E-learning by including it into the criteria for performance measurement.
- Reward capable managers by adopting a talent mindset, define an employee proposition, identify and develop talent proposition, and increase hiring effectiveness in terms of both time and cost.
- Make use of IT such as two-way videoconferencing, on-the-fly interaction, and application sharing to effectively train the employees and improve the capabilities of human resources.

- Construction firms in UAE would continue to depend on outsourced skilled workmen due to obvious reasons of cost-effectiveness.
- Keep on evaluating and motivating the employees with appropriate monetary as well as non-monetary incentives.
- Establish appropriate key performance indicators (KPIs) for each defined job roles.

#### **4.1.4. Innovation in Services**

Instead of waiting for some event that triggers a strategic response, today the construction firms need to be proactive and innovative. However, innovation requires much time and commitment giving rise to failure and frustration. Moreover the financial involvement often is very high and requires a sufficient return on investment to secure the future particularly in the looming WTO environment. According to the result of survey on large UAE construction firms, they are lagging behind their potential competitors in terms of innovation in their services that need to be addressed as priority. The following relevant strategies are proposed:

- R&D must be built into the system with the aim to inculcate a culture of innovation.
- Prepare to beat their potential competitors by expediting, identifying the innovation gaps (such as customization of products/services, emerging client's needs not served well by other competitors, new ways of producing and delivering products/services to the clients) in the relevant markets and filling the same before anybody else does.

- All the business functions (such as management, finance, administration, procurement, project offices, marketing, design, and so on) should contribute to the implementation of innovation processes as a team effort to make them cheaper, quicker, and optimally successful.
- The time span until innovations are copied by imitators is getting shorter in the competitive environment. Therefore, care should be taken to see that the innovation in products/services is continuous and path-dependent being backed by core competencies that cannot easily be imitated so as to be always strategically ahead of competitors, and reap sufficient and sustained benefits from investments. In order to minimize risk of failure, innovation should be based upon long-term objectives and strategies, adequately compatible to and mostly guided by company size, value chains and availability of resources, already existing to quickly realize new and changing needs, initiated by the market and not by transitory technological developments, and concentrate on the linkages within the value systems (to be more difficult to copy).

#### **4.1.5. Global Operations**

Globalization of construction business is expected to be the new paradigm in the free market era as a result of progressive liberalization under the GATS framework of liberalization. As yet the UAE construction firms have developed locally in an extremely confined and secluded fashion unlike those of potential competitors that have long been evolving under a free and unregulated market system. Ensuring profitability both in the domestic and overseas markets will necessitate becoming internationally competitive. The

following relevant strategies are proposed: Prior to commencing any overseas construction undertakings, greater capabilities through minimizing the weaknesses must be attained to shun the possibility of juvenile failure.

- Get fully acquainted with the local conditions such as governing laws, taxation, productivity factors, and operating conditions of the concerned region.
- Identify the preferred markets for expansion of business activities including back office operations taking into account the schedule of specific commitments of the concerned countries apart from other considerations including niche type lucrative markets such as those wherein Islamic architecture are predominant.
- Study the specific commitments of the concerned Members before expanding business overseas and hence set the suitable strategies for each individual market.
- Be strategic in laying out a globalization strategy through identifying the entry and exit routes. Enter one country at a time and provide selected service (s) successfully before exposing to many at once.
- Acquire knowledge about the prospective clients through being fully informed of the cultural preferences, conventional differences, bargaining behaviors, and concerned legal issues.
- Normally, the global construction business involves the project management activities rather than physical construction works alone. Therefore, it is recommended to enhance the project management capabilities to the world-class levels.

#### **4.1.6. Strategic Planning**

Strategic planning is a formal process designed to interpret the firm's environment that aims at preparing for the distant future such as for the post-WTO era. UAE construction firms are lagging behind their potential competitors in terms of strategic planning that need to be addressed as priority. The following relevant strategies are proposed to keep gaining the competitive advantage in the new era of hyper-competition: Take into consideration the evolving overseas opportunities, resources, and objectives to achieve a long-run profitability and growth.

- Systematize the strategic planning by breaking it down into phases such as initiation, formulation, implementation, and assessment.
- Keep investigating and rationalizing business plan and operational strategies, policies, and procedures through frequent SWOT analysis taking into account the swiftly changing markets both in the WTO Members countries and those in the Emirates.
- Align Strategies to keep gaining competitive advantages in terms of cost leadership, differentiation, and focus/niche strategies.
- Buy patents and copyrights as appropriate to effectively protect the information from being imitated and to maintain the differentiation strategies in terms of the firm's valuable assets.
- Avoid overconfidence -; every now and then, the top management tends to trust its gut-feeling and rely less on strategic planning, which is hardly an appropriate attitude.

- Strategic plan must be communicated appropriately to every level of the organization to meet the shared objectives through a culture of team work.

#### **4.1.7. Joint Ventures**

The prospective GATS framework of liberalization is expected to allow the increasing equity participation of foreign construction firms that can be exploited by joint venture arrangement with them to bring rapid infusion of capital, skill, and technology. UAE construction firms are yet to exploit these joint venture opportunities to the full. The following relevant strategies are proposed:

- Make joint ventures with large foreign firms that are reputed to be innovative and share the resources as per requirements to survive and thrive in the post-WTO era. Would they be interested? Local firms' knowledge base of the legal, technical, and cultural environment may be an enticement for them to collaborate.
- Consider to have joint ventures wherein technology/organizational capability can diffuse gradually over time to move over ultimately to a time bound plan into a stand alone accomplished entity.
- Obtain ISO 9000 or equivalent certification to make the local firms attractive to the potential joint venture partners. It will minimize the operational shock with the UAE construction firms and the foreign construction firms both having similar processes and systems.
- Promote economies of scale and get rid of incompetence through objective-oriented and meaningful joint ventures that help the UAE construction firms broaden their geographical base.

## **4.2. Contemporary Strengths**

It is essential that the UAE construction firms clearly know their strengths so that they may be able to articulate them adequately to the needs of prospective clients in order to expand their sphere of influence. UAE construction firms are most likely to face a tougher competition and must never forget that their clients' will have more choices. It is recommended to ensure that today's competitive advantage should not come out to be the competitive disadvantage in the post-WTO era due to fact that the conditions that made it work in the past are most likely to change significantly. In order to effectively sustain the competitive advantages, to reap the benefits of overseas opportunities, and to defend themselves from potential international competition in the domestic market as a result of imminent GATS Framework of Liberalization, the following strategies are proposed:

### **4.2.1. Financial Resources**

Ensuring financial security and growth is especially important to UAE construction firms that are going to operate in an era of intense competition and rapidly-changing markets. In order to exploit the high level of financial resources available in the region, UAE construction firms need to take into consideration the following: Transform themselves from privately and closely held firms to public entities.

- Enlist their shares on the Local Stock markets initially with a vision of ultimately listing them on active exchanges worldwide.
- Make use of synergistic mergers and acquisition strategies to broaden their size, resources and capital base in order to achieve economies of scale and scope comparable with the global construction firms.



#### **4.2.2. Sound Experience**

In order to effectively exploit the previous experience, UAE construction firms need to take into consideration the following:

- Manuscript the valuable experiences with a view to strategically utilize them in the prospective hyper-competitive environment by developing a database encompassing all data on projects, associates (such as clients, contractors, subcontractors, architects, suppliers of construction materials), and so on.
- Effectively utilize the valuable pool of experience to build up confidence to act decisively and quickly.
- Translate the valuable experiences into competitive advantage by minimizing cost of project.
- Translate the valuable experiences into competitive advantage by expanding and profitably working in the territories of the Members.
- Manuscript the valuable experiences with a view to strategically utilize them in the prospective hyper-competitive environment by developing a database encompassing all data on projects, associates (such as clients, contractors, subcontractors, architects, suppliers of construction materials), and so on.

#### **5. LIMITATIONS**

The results of this study should be construed taking into consideration the following precincts:

- The Small-and-Medium-Sized-Enterprises (SME's) are excluded. In fact most of the locally operating firms are SME's only! For the purpose of this study the large

construction firms entail the construction firms licensed to construct G+3 and higher buildings, roads, drainage lines, water lines, and laying telecommunication and electrical networks in the UAE.

- The purposive sampling is used wherein only selected respondents were handpicked to examine their feelings and opinions. The participation of a large number of respondents would be desirable for structural equation modeling of the subject concerned using more powerful analytic technique.
- The results are based on the viewpoints of handpicked respondents from the UAE construction industry, whereas competition will be coming from everywhere in the WTO Member countries.

## **6. CONCLUDING REMARKS**

This study extracted the contemporary areas of strengths and weaknesses of the large UAE construction firms. This research has resulted in an enhanced understanding of the current status of the large UAE construction firms. The generic strategies suggested in this research paper can suitably be put into practice depending upon the best matching of the internal strengths, weaknesses, opportunities, and threats in hand. Furthermore, the strategies proposed in this research paper can ultimately assist in accomplishing the Total Quality Management (TQM) and cost-effectiveness that are currently buzzwords among the business communities throughout the world.

### **Acknowledgment**

Acknowledgement is due to King Fahd University of Petroleum & Minerals (KFUPM), Dhahran, Saudi Arabia for supporting this study.

## References

- Ahmad, I., 2004, The GATS Framework of Liberalization: A Double-Edged Sword for Construction Industry, Proceedings, the 4th International Conference on Construction Project Management (ICCPM) Singapore, 51-60.
- Betts, M. and G. Ofori, 1992, Strategic Planning for Competitive Advantage in Construction, *Construction Management and Economics* 10, 511-532.
- BMI, 2003, Saudi Arabia Quarterly Forecast Report: Report on Political Risk, Economic Performance and Outlook, and Key Economic Sectors, Business Monitor International Ltd, Queen Victoria Street, London, UK.
- Dikmen, I. and T. Birgonul, 2003, Strategic Perspective of Turkish Construction Firms, *Journal of Management in Engineering* 19, 33-40.
- Dulaimi, M. and F. Tan, 2001, Developing world class construction firms in Singapore, *Construction Management and Economics* 19, 591-99.
- Macmillan, H. and M. Tampoe, 2000, *Strategic Management: Process, Content, and Implementation*, Oxford University Press, New York.
- Pearce II, J. and R. Robinson Jr., 2000, *Strategic Management: Formulation, Implementation, and Control*, Seventh Edition, McGraw-Hill International.
- Rabin, J. G. J. Miller, and W.B. Hildreth, 2000, *Hand book of Strategic Management*, 2<sup>nd</sup> Edition, Marcel Dekker Inc, USA.
- Tohamy, S., 2000, Case Study of Egypt's Services Liberalization, Service Barriers and Implementation of the GATS Agreements." downloadable at [http:// www. worldbank.org/ mdf/mdf3/papers/global/Tohamy.pdf](http://www.worldbank.org/mdf/mdf3/papers/global/Tohamy.pdf), accessed on 11, Nov 2003.

Warszawski, A, 1994, Current Trends in the Operation of Building-Construction Firms, International Journal of Project Management 12, 261-268.

Warszawski, A, 1996, Strategic Planning in Construction Firms, Journal of Construction Engineering and Management 122, 133-140.